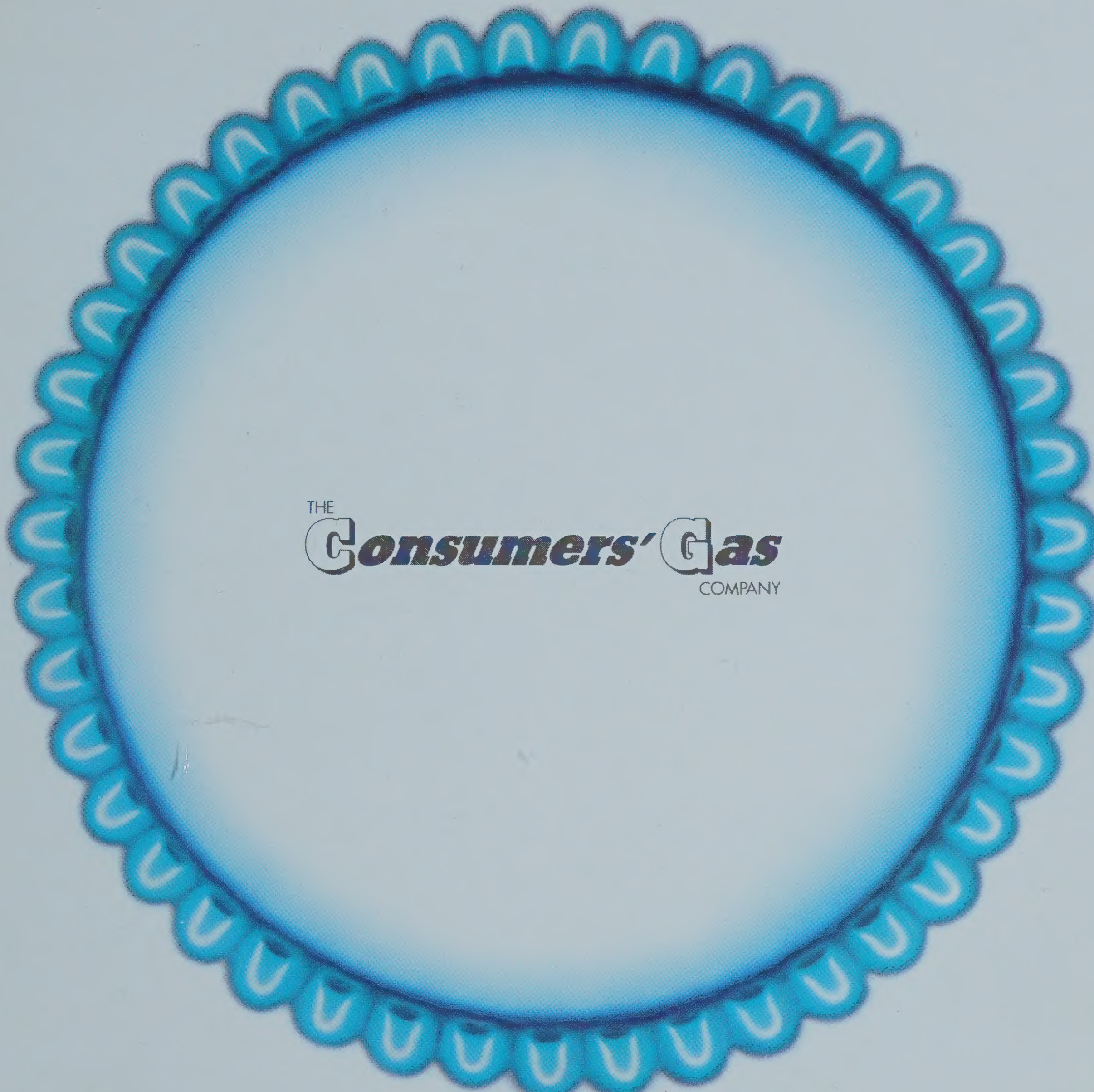


128TH ANNUAL REPORT for the year ended September 30, 1976

The 128th Annual Shareholders'
Meeting will be held at 11:00 a.m.
Thursday, December 16th, 1976
in the Town Hall Theatre,
St. Lawrence Centre, (adjacent to the
O'Keefe Centre), 27 Front Street East,
Toronto, Ontario.

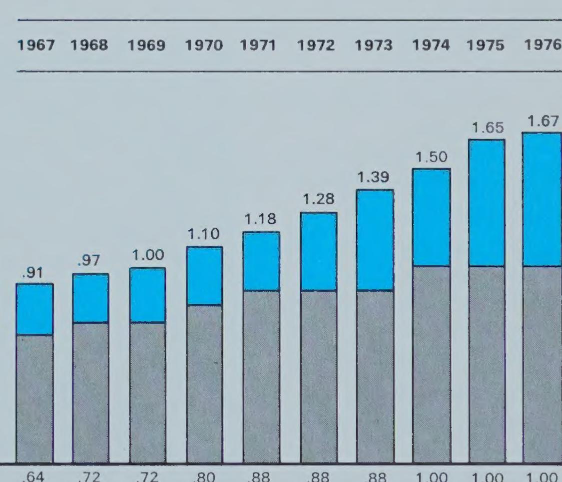
THE CONSUMERS' GAS COMPANY

128th Annual Report for the year ended September 30, 1976

Highlights

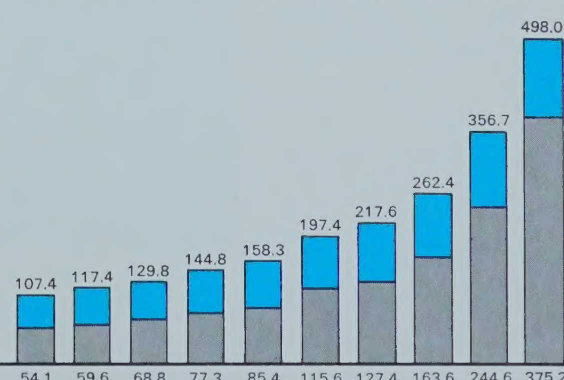
	1976	1975
Basic earnings per common share (income before extraordinary item)	**$1.67**	$1.65
Dividends declared per common share	**$1.00**	$1.00
Weighted average number of common shares outstanding	**20,643,424**	18,219,408
Net income for the year available for dividends and reinvestment in the business	**$ 37,236,000**	$ 32,105,000
Volumes of gas sold—Mcf	**306,777,000**	311,310,000
Number of active customers	**511,177**	491,242
Total revenues	**$522,766,000**	$380,077,000
Property, plant and equipment less accumulated depreciation and depletion	**$581,825,000**	$546,130,000
Net additions to property, plant and equipment	**$ 53,886,000**	$ 52,817,000

Earnings and Dividends per Common Share ($1.67 and $1.00)



Basic Earnings (Before extraordinary items)
Current Annual Dividend Rate

Gas Sales $498,041,000
Cost of Gas $375,242,000



Gas Sales
Cost of Gas

DIRECTORS AND OFFICERS

DIRECTORS

J. Douglas Gibson, O.B.E.*
Chairman of the Board—The Consumers' Gas Company, Canadian Reinsurance and Canadian Reassurance Companies
Chairman of the Board and Managing Director—Cygnus Corporation Limited
Director—Home Oil Company Limited, The Imperial Life Assurance Company of Canada, Harding Carpets Limited, Steel Company of Canada Limited, Bell Canada, National Trust Company, Limited, Moore Corporation Limited, Northern Telecom Limited, North American Reinsurance and North American Reassurance Companies

G. E. Creber*
President and Chief Executive Officer—The Consumers' Gas Company
Director—Home Oil Company Limited, Cygnus Corporation Limited, Canada Trustco Mortgage Company, Scurry-Rainbow Oil Limited, The Canada Trust Company, Rothmans of Pall Mall Canada Limited

J. C. McCarthy*
Vice-Chairman of the Board—The Consumers' Gas Company
Director—The Toronto-Dominion Bank

J. K. Macdonald*
Chairman of the Board—Confederation Life Insurance Company
Director—Canada Permanent Companies, The Dominion Insurance Corporation

A. R. Poyntz*
Chairman of the Board—The Imperial Life Assurance Company of Canada, M.E.P.C. Canadian Properties Limited, Impco Properties Limited
Director—The Investors Group

W. H. Zimmerman, Q.C.
Vice-Chairman—The Eaton Group of Mutual Funds
Director—Home Oil Company Limited, The Becker Milk Company Limited, Inter-Provincial Diversified Holdings Ltd.

Hon. T. D'Arcy Leonard, C.B.E.*

R. H. Carley, Q.C.
Partner—Carley, Lech & Lightbody, Solicitors
Director—Kesco Holdings Limited, Raybestos-Manhattan (Canada) Ltd.

Noah Torno, M.B.E.
Chairman of the Board and Chief Executive Officer—Jordan & Ste. Michelle Cellars Limited
Director—Cygnus Corporation Limited, The Canada Trust Company, Carling O'Keefe Limited, Cemp Investments (Ontario) Limited

D. B. Mansur, C.B.E.
Director—Royal Insurance Group

A. G. S. Griffin*
Chairman of the Board—Home Oil Company Limited, The Commercial Life Assurance Company of Canada, The Halifax Insurance Company, Scurry-Rainbow Oil Limited
Director—Canadian Corporate Management Company Limited, Canadian Industries Limited, Raymond International Inc., Triarch Corporation Limited, United Dominions Corporation (Canada) Limited, Victoria and Grey Trust Company, National Film Board, I.C.I. Americas

H. E. Langford
Director—Home Oil Company Limited, The Dominion of Canada General Insurance Company, Empire Life Insurance Company, Victoria and Grey Trust Company, Scurry-Rainbow Oil Limited, E. L. Financial Corporation

G. W. Carpenter, P.Eng.
Executive Vice-President—The Consumers' Gas Company
Director—Home Oil Company Limited
President and Director—Tecumseh Gas Storage Limited

R. S. Paddon, Q.C.
General Counsel—The Consumers' Gas Company
Partner—Aird, Zimmerman & Berlis, Solicitors

Orian E. B. Low, Q.C.
Counsel—Low, Murchison, Burns, Thomas & Haydon, Solicitors
Chairman of the Board—Holo Investments Ltd., Ottawa Investment Management Co. Ltd.
Chairman of the Executive Board—Ottawa Gas

F. H. Newman, P.Eng.
President—Newman Bros. Co. Limited

Charles S. MacNaughton
Honorary Chairman of the Board—Burns Fry Limited
Chairman—Ontario Racing Commission
Director—Redpath Industries Limited, Canadian Cable Systems Limited, Laidlaw Transportation Limited, Bank of Montreal, Sportsmen's Mutual Fund Limited, Canadian Canners Limited

Ross F. Phillips
President and Chief Executive Officer—Home Oil Company Limited
President and Director—Scurry-Rainbow Oil Limited
Director—Calgary Power Ltd., Crown Trust Company

*Executive Committee Member

OFFICERS

J. Douglas Gibson
Chairman of the Board

G. E. Creber
President and Chief Executive Officer

J. C. McCarthy
Vice-Chairman of the Board

G. W. Carpenter
Executive Vice-President

K. J. Harry
Senior Vice-President

***J. L. Aiken**
Vice-President, Administration

†J. I. Cuthill
Vice-President, Exploration

T. E. Gieruszczak
Vice-President, Research and Special Projects

R. I. Jones
Vice-President and Chief Engineer

C. J. Kent
Vice-President, Planning and Economics

R. S. Lougheed
Vice-President, Gas Supply

A. R. MacKenzie
Vice-President, Personnel

R. W. Martin
Vice-President, Operations

E. W. H. Tremain
Vice-President, Corporate Affairs

George Wilkinson
Corporate Secretary

†W. S. Pope
Treasurer and Assistant Secretary

*Effective December 15, 1975

†Effective September 13, 1976

(Left to right) Wilf MacDonald, Gino Panetta (construction foreman) and C. Giraldi heat fusing a plastic gas main being installed to serve an industrial complex in Scarborough.

Adrian Snoeys and Vitto Vidiri operate trenching equipment for Cliffside Pipelayers Limited, one of the contractors employed by Consumers' Gas, to lay mains to extend service to new sub-divisions. Contractors supplement Consumers' own work crews to equalize work loads and meet the fluctuating demands created by the seasonal nature of our business.

During the 1976 fiscal year the confusion over gas supply has diminished and we submit this report to you in an atmosphere of growing optimism for the future of our business.

As recently as a year ago, there was concern that estimated gas supplies from conventional sources in Western Canada would not be adequate to meet projected increases in Canadian demand for more than two years. This outlook has brightened considerably over the past twelve months to the extent that our present view is that we are unlikely to see any material shortage of supply before the early 1980's. This improvement in outlook results from increased drilling activity in Western Canada and an apparent slowdown in the annual rate of increase in Canadian requirements.

Concrete evidence for this outlook is found in the recent offer of TransCanada PipeLines Limited to contract with all its customers, on a long-term basis, for annual volumes additional to those delivered in the 1976 contract year, to commence at the start of the 1977 and 1978 contract years. In addition, a recent agreement between Trans-Canada and the Company extends the termination date of all long-term gas supply contracts until November 1995.

We cannot, of course, afford to be complacent about the prospect of long-term supply shortages and its impact on our customers and our ability to expand our business. Therefore because of the long lead time required for construction of facilities, we must actively campaign for decisions to be made by the Federal Government to ensure timely delivery of frontier sources of gas.

This growing confidence in the ability of traditional western Canadian sources to supply market requirements while awaiting the arrival of an abundant supply from frontier sources, offers the opportunity for significant long-term growth in that portion of the energy market to be supplied by natural gas. We anticipate that constraints on capital expenditures for new electrical generation facilities will provide opportunities for natural gas to be used as a substitute for electricity in areas where these energy forms are interchangeable. Further, decreasing supplies of crude oil from domestic sources can only be offset by importation of oil from unreliable foreign sources which, if available, will adversely affect Canada's balance of payments position. For these reasons, we see Canadian natural gas as a viable substitute for oil in many energy applications.

On June 30, 1976, the Company received the Reasons for Decision from the Ontario Energy Board on a rate case which commenced November, 1975. The decision and interim decisions received during the hearing had the effect of increasing the Company's gross revenue on an annual basis by $17,700,000. The increases were designed to offset increases in cost and to provide the Company with an allowable rate of return of 10.1%. While these increases were not fully effective in the 1976 fiscal year, new rates were implemented on October 1, 1976 and the full benefit of the rate relief will be received in the coming year. A more detailed description of the Company's activities before the Ontario Energy Board is provided later in this report.

We are pleased to report that net income for the year increased by $5 million to $37 million and the related basic earnings per common share increased from $1.63 to $1.68. The basic earnings per share for 1976 reflect the full impact of the exchange of convertible debentures into 3,132,900 common shares in 1975. The growth in net income is better demonstrated by fully diluted earnings per common share which have risen from $1.42 in 1975 to $1.64 in 1976. Several factors have contributed to the improvement in income, including the rate relief referred to above, a growth in customers served, and an increase in our share of earnings from Home Oil Company Limited.

During the fiscal year the Company raised $50 million through a First Mortgage Sinking Fund

Bond issue and $30 million through placement of medium-term notes.

Three of our present directors, Messrs. T. D'Arcy Leonard, H. E. Langford and J. K. Macdonald, are retiring this year as a result of the retirement policy instituted by the Board of Directors. Their wise advice and counsel will be missed and we are very grateful to them for their long and distinguished service.

We are fortunate in obtaining the consent of Mrs. A. F. W. Plumptre, Mr. R. S. Hurlbut and Mr. G. E. Jackson to allow their names to stand for election as directors.

During the year Mr. J. L. Aiken was appointed Vice-President, Administration, Mr. J. I. Cuthill, Vice-President, Exploration and Mr. W. S. Pope, Treasurer and Assistant Secretary.

The success of the Company is dependent on its people. Our thanks go to all of them for their contribution.

On behalf of the Board:

Chairman of the Board.

President and Chief Executive Officer.

November 10, 1976.

One of Consumers' construction crews relays an 8" steel main necessitated by the building of a railway underpass in Scarborough. In projects of this kind, Consumers' works closely with other utilities and the municipal departments involved.

Gas Supply

During the past year significantly higher field prices have resulted in increased drilling activity and an improvement in estimates of natural gas availability from conventional producing areas in Western Canada. This activity, when coupled with an apparent reduction in the rate of increase in Canadian consumption requirements, improves the Company's ability to meet projected market requirements in future years.

As a result of its improved natural gas supply position, TransCanada PipeLines Limited, our principal supplier, offered to contract with all its customers, on a long-term basis, for annual volumes additional to those delivered in the 1976 contract year to commence at the start of the 1977 and 1978 contract years. Consumers', however, has determined that volumes presently under contract will be sufficient to meet projected market requirements through the 1978 contract year.

An agreement was completed under which the termination date of all long-term contracts with TransCanada, some of which originally were to terminate as early as 1978, was extended until November 1995.

During the past eighteen months, the Federal Government, acting under the provisions of the Petroleum Administration Act, announced three increases in the Toronto City Gate base price of natural gas. Effective November 1, 1975 the price was increased by approximately 45¢ per Mcf to \$1.25 per Mcf; effective July 1, 1976 the price was increased to approximately \$1.40 per Mcf and, as of January 1, 1977, the price will increase to approximately \$1.50 per Mcf. These prices are stated to be equivalent to 85% of the cost of Canadian crude oil delivered to the refinery in the Metro Toronto area.

A modern gas range provides top-of-the-range flexibility, superior broiling and fully automatic oven control.

Gas clothes dryers have a genuine appeal to today's housewives. Compared with an electric dryer, a gas dryer consumes one-third of the energy and operates for only one-fifth of the cost.

The application of Canadian Arctic Gas Pipeline Limited to construct a large diameter pipeline to transport gas from the Mackenzie Delta and Alaska to Canadian and U.S. markets is being examined by the National Energy Board in Ottawa and by the Federal Power Commission in Washington, D.C. We believe that this project provides the earliest and most economic opportunity for the delivery of essential Canadian frontier reserves to Canadian markets in the early 1980's.

The Company is confident that, given timely approval of the Canadian Arctic Gas Pipeline project and the availability of supplemental supplies from traditional areas of production in Western Canada in conjunction with the effective use of underground storage, our

The popularity of barbecuing grows and grows. And because of the obvious advantages of gas-fired barbecues, we installed over 6,600 of them last year . . . almost 25% more than the year before.

Over the past ten years the number of residential customers using gas has increased steadily . . . today, we have 462,200. Over 90% of the gas they use is for home heating and water heating.

A warm glowing flame in the fireplace is traditional in many Canadian homes. It is so easy to install an attractive natural gas fireplace in an existing room—it provides instant heat and ash free convenience and cleanliness.

own production in Lake Erie, and the efficient utilization of natural gas in the market place, there will be sufficient gas supply to meet normal growth in our basic markets indefinitely.

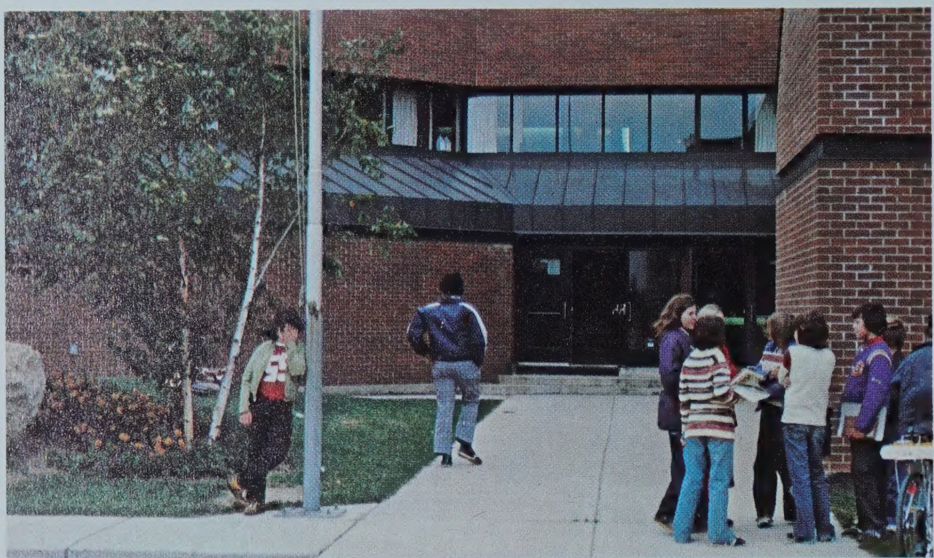
Marketing

During the past year a total of 21,500 new residential customers were connected to the system, the largest single year increase in the Company's history. This growth reflects the significant increase in new residential construction in the service area and the continued confidence shown in natural gas by the home building industry and the ultimate home buyer. Gas sales volumes in the residential sector amounted to 65.9 Bcf, an increase of 3.1% over the previous year while the weather experienced in 1976 was substantially the same as in 1975.

Residential customers continue to

This expert is installing an additional layer of ceiling insulation to minimize heat loss in the winter and reduce heat penetration in the summer. Almost six thousand customers have taken advantage of a Company-sponsored insulation programme since it was first offered early this year.

As evidence of the importance of gas to the community, almost one-third of the gas sold by the Company is used in multi-family dwellings, schools, churches, hospitals, public buildings, shopping plazas, retail stores and small business establishments located in the areas we serve.



Many schools use natural gas because it enables them to provide a comfort-controlled environment throughout the day.

Churches choose natural gas because it is efficient, easy to control and economical.

recognize the need to conserve energy with almost 6,000 customers having taken advantage of the Company's ceiling insulation programme. This programme provides for the installation of supplemental insulation in existing residences as well as for payment on the customer's monthly gas bill over a one-year period.

Approximately 1,000 new commercial and industrial customers were added during the year although gas sales volumes to these categories of customers were reduced by 2.6% from those sold in the previous year. A combination of conservation efforts in these market sectors, significant and lengthy strikes in some major industries and general economic slowdown contributed to this decrease. The Company is working closely with its large volume customers in advising on and monitoring energy conservation programmes.

The Company's appliance merchandising programme, designed to operate in conjunction with residential gas marketing efforts, enjoyed its most successful year with sales exceeding $6 million.

Our communication programmes stressing confidence in "Gas For The Future" have assisted in maintaining market confidence in natural gas, and in the Company, through the period of price and supply uncertainty. These programmes will continue to emphasize conservation, the benefits of natural gas to the user and the efforts which are being made to augment gas supply.

Operations

During the past year the total number of customers increased to approximately 511,000. In order to provide service to these customers, capital expenditures of $40 million were required in mains, meters, services,

regulating stations and other equipment. In addition to the ongoing capital investment in new plant and equipment, the Company must continually upgrade and, where necessary, replace its older system to ensure the continuation of reliable, efficient service to its customers. It is estimated that total expenditures for distribution plant and improvements will approximate $45 million in 1977.

Considerable progress has been made in reducing the cost of construction of new distribution facilities through the introduction of new techniques and materials and through a greater use of Company personnel. These programmes, designed to hold capital costs to a minimum, continue to receive top priority.

Operating and maintenance costs during the past year, amounted to $46 million, an increase of 4.2% over the past year and include the cost of customer service, engineering and planning, billing and collection, accounting functions, marketing, purchasing materials and supplies, research and development, personnel administration, computer operation and the cost of general administration.

The development of improved management information systems continues to be emphasized. These programmes are designed to provide better and more timely data to line managers to assist in better decision making, improved efficiency and improved quality of service to our customers.

The large increases in the field price of gas, which have been passed on to our customers over the past eighteen months, have contributed to heavier than normal customer enquiries. Considerable attention is being focused on the quality of our customer communications in an effort to maintain this contact at an informed and competent level.

Bridlewood Mall, Scarborough, typifies the ultimate in today's convenience shopping which brings together varied retail establishments in a setting conducive to business. Natural gas is vitally important in assuring uniform comfort and ideal shopping conditions all year round.

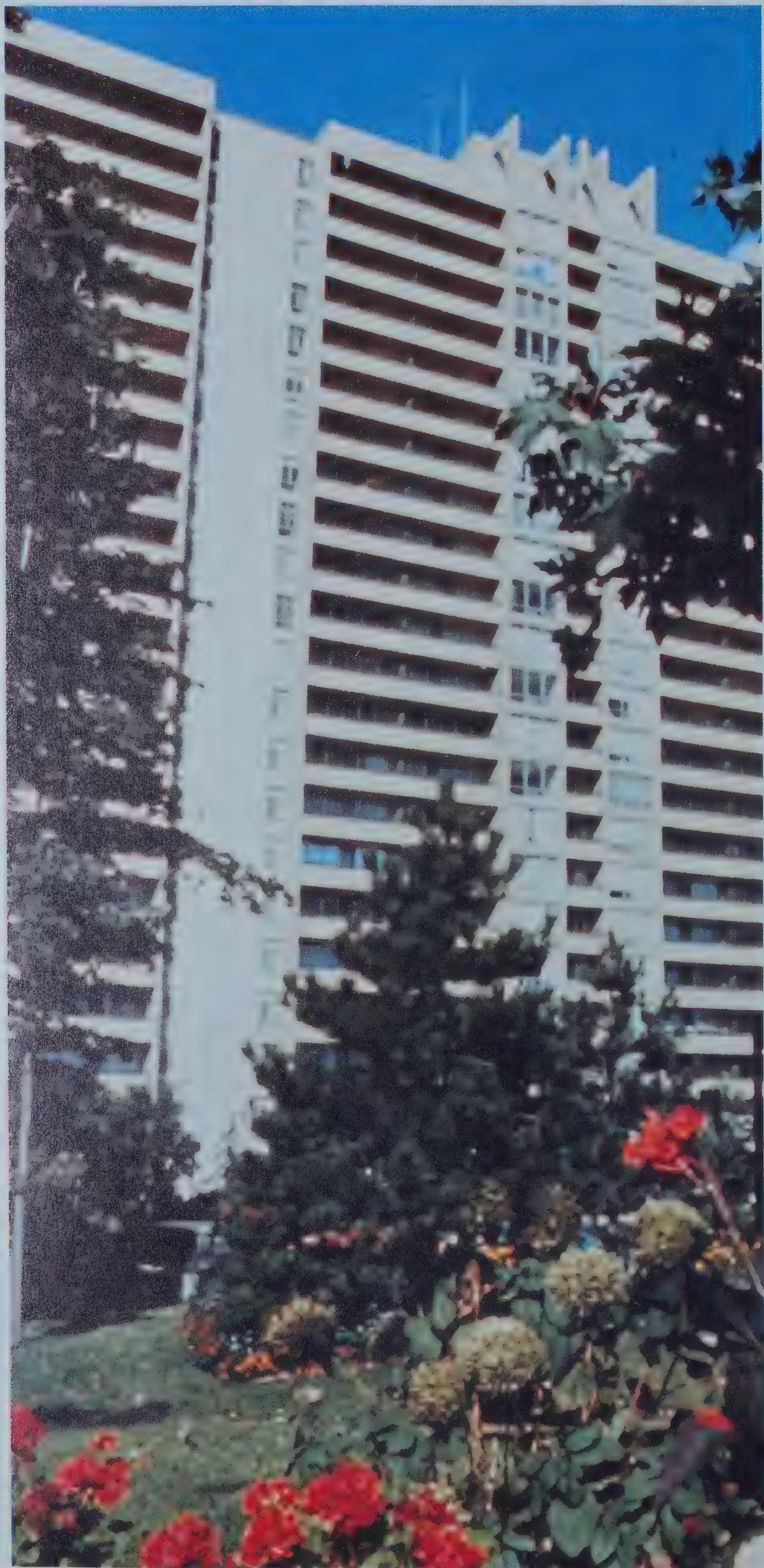
Regulation

The prices which the Company may charge its customers in Ontario for the supply of natural gas and related services are regulated by the Ontario Energy Board. The Board examines in detail the cost of providing service, which includes the cost of capital and the manner in which the Company may recover its costs through rate schedules. The "cost of capital", which is expressed as an allowable rate of return, is designed principally to meet the cost of interest on long-term debt, satisfy the fixed dividend requirements of preference share issues, and provide the common shareholder with a reasonable return on his investment.

During the course of the year, the Company applied to the Board for permission to increase its rates to recover two increases in the cost of gas purchased from its supplier, TransCanada PipeLines. The first increase of approximately 45¢ per Mcf was effective November 1, 1975 and the Board approved a corresponding increase in the Company's rates effective December 11, 1975. The delay in implementation of the increase permitted our customers to receive the benefit of the lower cost of gas, held in underground storage, which was purchased at rates prevailing prior to November 1, 1975. The second increase in the cost of gas of approximately 16¢ per Mcf was experienced on July 1, 1976 and the Board granted a coincident increase in the Company's rates to offset it. In requesting this increase, the Company undertook to delay the pass-on of the scheduled January 1, 1977 increase in the cost of gas thereby ensuring that customers, including residential heating customers, for whom the gas was stored during the summer months, receive the benefit of its lower cost.

In addition to rate increases required to offset gas cost increases, the Company applied to the Board for approval of further increases in its rates to recover increased costs of operations and to reflect a more current rate of return. The application requested that the allowable rate of return be raised to 10.35% from the 9.35% found appropriate in a Decision of the Board issued in July 1974. The public hearing of these requests commenced on November 4, 1975 and during the course of the hearing, upon application by the Company, the Board granted two interim rate increases.

The first increase, amounting to $3,347,600 per annum, was effective on December 11, 1975 and enabled the Company to more fully recover the cost of, and earn an increased return on, its Ontario gas exploration and production activities. The second increase of $7,800,400 per annum, which was effective on February 15, 1976, provided for an increase in the allowable rate of return from the previously



determined return of 9.35% to 9.5%. In granting this increase the Board indicated that the allowable rate of return, when later determined, would probably be higher than 9.5%.

On June 30, 1976 the Board issued its Reasons for Decision confirming the two interim increases described above and, at the same time, found that the allowable rate of return should be 10.1%. The calculation of the return was based upon the Company's September 30, 1975 consolidated capital structure (adjusted as noted) in the following manner:

Components in Capital Structure	Capital Structure		Return Rate		Weighted Allowable Return
	%		%		%
Long term Debt (1)	55.7	×	8.27 (2)	=	4.61
Deferred Taxes	3.1	×	1.56	=	0.05
Preference Shares	5.1	×	7.31 (2)	=	0.37
Common Stock Equity (3)	36.1	×	14.00 (4)	=	5.05
Total	100.0%				10.08% (rounded to 10.1%)

(1) Increased to reflect the issue of $50 million Series K bonds in February, 1976.

(2) Based on average cost of outstanding issues.

(3) Increased by $24 million to reflect the reversal of the write-off in prior years of goodwill arising from the acquisition of the Company's interest in Home Oil Company Limited.

(4) A judgmental return based upon many factors but designed to provide the common shareholder with a reasonable return on his investment and to enable the utility to attract additional capital.

By applying this allowable return to the Company's net investment in Ontario utility assets (Rate Base), which was estimated to be $641,299,000 at September 30, 1976, the Board found that, despite the interim relief granted during the fiscal year, the Company was entitled to further increase its revenues by $6,572,900 annually. On July 30, 1976 the Company submitted proposed rates designed to recover this additional revenue and was permitted to implement them on an interim basis on October 1, 1976. Currently, the Ontario Energy Board is examining this new rate design in a public hearing to ensure that the rate burden is equitably spread amongst

Typical high-rise rental and condominium complexes rely on natural gas for air treatment. The fluctuating heating and cooling requirements of the buildings are generated by central boiler systems or by roof-mounted gas-fired units.

various classes of customers.

An ongoing problem for a regulated utility is regulatory lag. This is a term used to describe a utility's inability, in times of rapidly rising costs, to recover from its customers in each fiscal year increases in its costs (including the current allowable rate of return) because the implementation of the approved rate increases is delayed by the public hearing process. We believe the decisions of the Board received by the Company in the current fiscal year point to a significant reduction in regulatory lag, because the rates approved by the Board were based on forecasted 1976 results rather than on historical data as had previously been the case. The interim order procedure which the Board adopted also facilitated prompt handling of requested rate relief.

Other regulatory activity in 1976 involved St. Lawrence Gas Company, Inc. which received approval from the New York State Public Utility Commission for increases in revenues of $314,000 to cover increased costs, and Société Gazifère de Hull Inc. which recently commenced hearings before the Quebec Electricity and Gas Board for approval of revised rates to enable it to earn a requested rate of return of 11.6%.

Financial

Income before extraordinary items amounted to $37,089,000 in 1976, an increase of $4,455,000 or 13.7% over 1975. Several factors have contributed to the improvement in income. During 1976 the Company was granted two interim increases in its rates by the Ontario Energy Board to compensate it for increases in costs and to provide it with a rate of return more in keeping with its current cost of capital. While these increases were not fully effective in the 1976 fiscal year, they contributed to the growth in income. Also during the year the addition of new customers, tightly controlled costs of doing business, and the elimination of interest costs associated with the convertible sinking fund debentures exchanged for common shares in 1975 enhanced earnings growth. In addition, the Company's share of earnings of Home Oil Company Limited increased by $1,034,000 to $5,614,000.

Tony Roidan, executive chef at The Harbour Castle Hotel, insists on the use of natural gas in the kitchens of this Toronto hotel

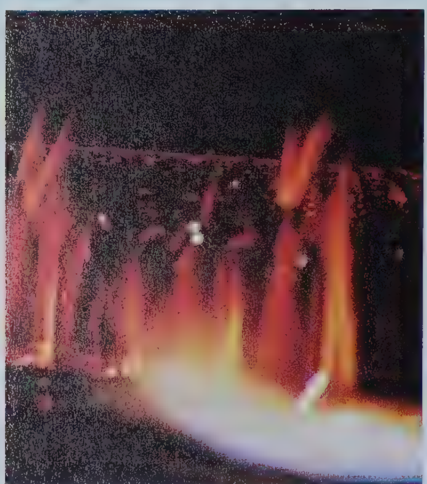
Within the Campeau waterfront complex, Harbour Castle enjoys a dramatic setting between Toronto's exciting skyline, busy harbour, and beautiful Lake Ontario.

Atsushi Kawasaki, chef at The Prince Hotel, demonstrates one of the advantages of natural gas as he prepares tempura, one of the many popular Japanese dishes for which this hotel is noted.

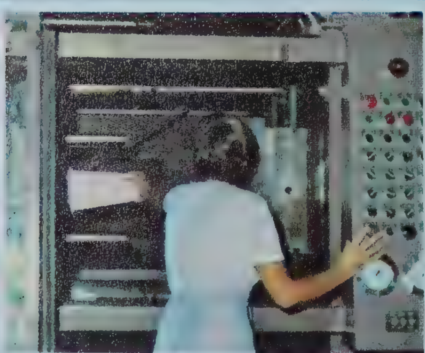
The Prince Hotel is located in a park-like setting in Don Mills, and uses natural gas for many of its hotel operations.

Natural gas, the choice of chefs, is used in practically all Toronto hotels. The gas flame meets all the heat specifications required for gourmet cooking.

Natural gas is used extensively in industry. We have selected four applications to indicate its scope, versatility and unique processing capabilities.



To meet industry's large volume demand for high quality glass containers, Domglas relies on natural gas in its manufacturing processes.



At its Mississauga plant, Rubbermaid (Canada) Limited manufactures a myriad of well-known household items. It uses natural gas to obtain product durability and pleasing appearance.

After taking into account the Company's share of extraordinary items of Home Oil Company Limited and Cygnus Corporation Limited, net income for the year available for dividends and reinvestment in the business was $37,236,000 compared to $32,105,000 last year.

The improvement in net income resulted in basic earnings per common share before extraordinary items of $1.67 compared with $1.65 last year. The reason that the increase in net income referred to above did not result in a comparable increase in earnings per share is due to the fact that the weighted average number of shares used in computing earnings per share has increased from 18,219,408 in 1975 to 20,643,424 in 1976. This resulted from the exchange of $52,215,000 principal amount of 5½% convertible sinking fund debentures for 3,132,900 common shares in June and July of 1975. The earning power represented by this increase in the Company's equity base is reflected in the rate structure implemented on October 1, 1976. This should result in an increase in basic earnings per common share in 1977 more proportional to the increase in net income for that year.

Gas sales revenue increased by $141 million or 40% over last year, with total sales reaching $498 million. However, as was the case in fiscal 1975, the majority of this increase can be attributed to the recovery of increased gas costs in 1976 amounting to $131 million.

Under its gas purchase contracts with TransCanada, the Company is obliged to take and/or pay for certain annual minimum volumes of gas. The general economic slowdown in 1976, compounded by strikes in its service area, placed the Company in the position of not being able to sell or store underground all of these minimum volumes. To avoid the potential monetary penalty under its contracts with its supplier, the Company entered into an agreement with Ontario Hydro under which the customer has undertaken to purchase, on a deferred payment basis, additional volumes of gas this year sufficient to enable the Company to fulfill its minimum purchase requirement. The deferred account receivable resulting from this agreement, amounting to approximately $22 million at September 30, 1976, is included with mortgages and non-current receivables on the Consolidated Balance Sheet under the caption Other Assets and Deferred Charges.

An additional $80 million of external financing was obtained during the year in the form of $50 million 10⅞% First Mortgage Bonds, Series K and $30 million of term notes maturing in late 1977 and early 1978. This financing was required to reduce the Company's short-term indebtedness which resulted from capital expenditures for the expansion of facilities, as well as increases in the cost of gas in storage, accounts receivable and other assets.

The Company's capital expenditure programme over the next five years envisages the expansion of its system to connect new residential, commercial and industrial loads. In addition, the Company must upgrade and maintain its system in order that it may continue to provide a high level of service in its franchise area. A continuing infusion of additional capital will be required to enable the Company to fund these activities. The Company continually examines the financing options available to it to ensure that its developing financing programmes will give it the flexibility to enter unpredictable financial markets of the future. To improve its capability to raise long-term debt, the Company is assessing the feasibility of negotiating a reduction of the interest coverage test contained in its debenture indentures to a level more in keeping with current market practices.

Exploration and Development

During the year, the Company participated in the drilling of 57 wells in Canada, with 30 successfully completed as gas wells capable of commercial production. The Company now has interests in 150 producing gas wells, 11 producing oil wells and 113 capped gas wells, the majority of which are located in Lake Erie. Gas gathering pipeline systems planned for 1977 and 1978 will connect most of these untapped reserves to market.

Underwater Gas Developers Limited, a wholly-owned subsidiary, is engaged

in contract drilling primarily in the Canadian offshore area of Lake Erie and in the U.S. States of New York, Pennsylvania and Ohio. This company operates three offshore drilling vessels and five land rigs with approximately 60% of its activities directed to serving companies other than Consumers'.

Through its interest in Sogepet Limited, the Company continues to share in exploration of the Hudson Bay Region and in the Appalachian Region of New York and Pennsylvania.

In New York State, St. Lawrence Exploration Corporation, a newly formed subsidiary of St. Lawrence Gas Company, Inc., took part with Sogepet and others in the drilling of eight wells in Western New York State, three of which were completed as gas wells.

As a member of the Delta-5 consortium, which includes Home Oil, the Company participated in the drilling of three exploratory wells in the Mackenzie Delta area, all three of which failed to discover commercial quantities of hydrocarbons. A fourth well is planned in the area during the 1976-77 winter season.

Total expenditures for exploration and development and underground storage facilities during the past year amounted to $14.5 million and are expected to amount to approximately $13 million in 1977. The Company's exploration land holdings in Canada now total 2,076,000 gross acres, equivalent to 1,623,400 net acres.

The Company continues to develop and expand its use of underground storage on wholly-owned properties and through the facilities of Tecumseh Gas Storage Limited jointly owned with Imperial Oil Limited. During 1976 the Company began testing on properties offshore in Lake Erie to determine the feasibility of underground storage development in that area.

In Molson's Brewery in Toronto, large brew kettles are used to brew selected ingredients to exacting standards. Steam generated by the power plant, which was converted to natural gas to minimize pollution, is essential to this key step in the process.

In the Christie Brown & Co. Ltd. Etobicoke plant, steady streams of biscuits are baked in precision controlled ovens fired by natural gas. Quality control, providing uniform texture and appearance, is possible with natural gas in this continuous high-volume operation.

Other Activities

The Company continues to initiate and participate in research projects designed to produce more efficient gas equipment and appliances. In pursuing this programme, the Company works closely with the Canadian Gas Research Institute, the University of Waterloo, the Ontario Research Foundation and the Institute of Gas Technology in Chicago.

As an investment in its future, the Company is investigating alternative sources of energy. A research programme which was initiated some time ago by the Institute of Gas Technology, in conjunction with the Company and other gas utilities, has resulted in the installation of an experimental solar-assisted gas space heating and cooling system in a Company service depot in Toronto's west end. The Solar-MEC system utilizes a Munters Environmental Control unit (MEC), a solar collector, and hot water storage facilities. The MEC unit heats, cools, humidifies and dehumidifies without the aid of a conventional furnace or air conditioner. It is able to make use of relatively low temperature heat produced by currently available solar collectors. In northern latitudes solar heat is supplemented in the system by a natural gas burner. It is expected that data generated by the system will advance the technology of heating systems that can operate on renewable and conventional sources of energy.

The real estate operations carried out by Consumers' Realty Limited, a wholly-owned subsidiary, continue on a limited scale with no new mortgage holdings anticipated in the coming year.

Consulting activities are both profitable to the Company and beneficial to the development of personnel. Currently the Company is providing assistance to Sonelgaz, an Algerian gas and electric power supplier, in the introduction of plastic pipe for gas distribution in Algeria. Recently the South Australian Gas Company in Adelaide contracted with the Company for consulting services involving distribution network analysis and design. This contract will utilize a Company designed computer programme which continues to prove its value in international consulting assignments.

Agreement has been reached for the sale in 1977 of the land and buildings owned by Consumers' Realty at Toronto and Adelaide Streets in the City of Toronto. Of the personnel formerly located at Toronto and Adelaide Streets, certain executives are moving to the 42nd floor of First Canadian Place and the remainder of the staff are being relocated in the Company's premises on Consumers' Road.

Canadian Arctic Gas Study Limited tests large diameter pipe trenching equipment to ensure satisfactory performance in the Arctic.

The proposed Gas Arctic Pipeline will bring the gas reserves of the North Slope of Alaska and the Mackenzie River Delta region to markets in Canada and the United States. Consumers' Gas is a member of the consortium backing this project, and has conditionally agreed to invest in it as a means of meeting the long-range market needs of its customers.

The crew aboard the diving boat David Allen on Lake Erie is placing specially designed explosive charges on the lake bottom for the excavation of a pipeline trench in rock.

Consumers' exploration activities in Lake Erie are an integral part of a sustained programme to develop reserves of natural gas. During 1976 eighteen wells were completed as gas wells out of a total of thirty-five drilled for Consumers' by its subsidiary company, Underwater Gas Developers Limited.

Gas flows, temperatures and pressures throughout Consumers' system are continually monitored by the operator with the aid of a new computer installed in the Company's Gas Control Centre.

Personnel

During the past year, the Company and Local 161 of the International Chemical Workers' Union negotiated, within the Anti-Inflation Guidelines, a collective agreement for the period September 8, 1975 to September 7, 1977. This union, representing 682 operating employees, is the largest of the Company's six union locals. Four collective agreements are due for renegotiation in fiscal 1977 and two in 1978.

The Company recognizes the contribution its 2,700 employees make towards the success of its operations. It is an objective of Consumers' to provide its employees with secure employment, just compensation, and an opportunity for advancement in an environment which recognizes the dignity of the individual.

Home Oil

Consumers' owns or controls 49.7% of the voting stock of Home Oil and participates in 21.9% of Home's earnings. Consumers' share of Home's earnings is carried on the Consolidated Statement of Income on page 19 as "Equity in Earnings – Home Oil Company Limited".

Home is engaged, directly and through subsidiary and associated companies, in the exploration for and the production and transportation of crude oil, natural gas and natural gas liquids and in the underground storage and marketing of natural gas liquids. Home is conducting exploration programmes for oil and gas in Western Canada, the Northwest Territories and the Arctic Islands. In addition, exploration activities are being carried out by Home in the United States (including the Gulf Coast offshore areas), the North Sea and other foreign areas.

Home's subsidiaries include Scurry-Rainbow Oil Limited in which Home owns approximately 86% of the outstanding shares. Scurry is engaged in oil and gas exploration in Canada, the United Kingdom and the United States, and in the production of crude oil, natural gas and natural gas liquids. Scurry also has extensive coal interests in Alberta and British Columbia and is exploring for base and precious metals in Canada, Mexico and the United States.

Home Oil recently announced in its third quarter report, for the nine-month period ended September 30, 1976, that net earnings after extraordinary items amounted to $21,310,000 or $2.61 per share as compared to $15,994,000 or $1.96 per share for the comparable period in 1975.

On October 4, 1976 an agreement was concluded whereby Scurry assigned 40% out of its previous 50% interest in the Elk River project for the development of metallurgical coal properties in Southeastern British Columbia to The Steel Company of Canada (25%) and Home Oil (15%) for a cash consideration plus a royalty on coal produced from the assigned interests. It is estimated that the proven and probable surface mineable reserves of the Elk River coal property are in excess of 500 million tons.

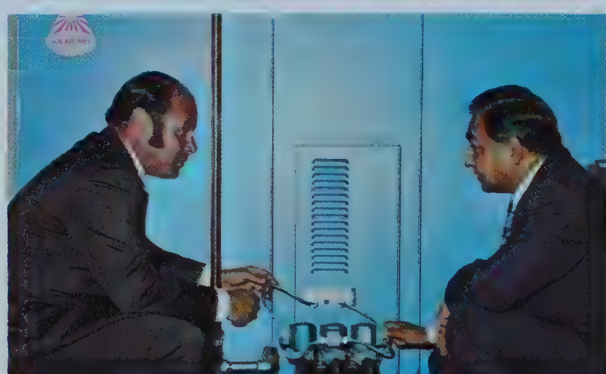
Home Oil has agreed to purchase a 5.5% interest in Panarctic Oils Ltd., a 32 member consortium exploring for oil and natural gas in the high Arctic Islands above Hudson Bay. Home's contribution of $30.5 million over the next three years will make it the fourth largest shareholder in the group, the largest shareholder being Petro-Canada with a 45% interest. This investment is expected to provide Home with a strong position in the Arctic.

On November 1, 1976 Home Oil announced that it intends to make a formal offer to purchase all of the outstanding shares of Canadian Export Gas & Oil Ltd. for cash at $5.80 per share.

Copies of the latest Annual Report of Home Oil Company Limited may be obtained by writing to: The Secretary, The Consumers' Gas Company.

Consumers' 'Fitters in Training' programme is conducted for employees by the Company's training staff at the Victoria Park Centre. Part of this course consists of a written examination to obtain an Ontario Government Gas Fitters Licence. Participants left to right are: Gord Garrioch (Brampton), John Nielson (Provincial), Steve Arnold (Metro), John Marshall (Brampton), and Al McGee (Training Instructor).

Employees in the Customer Contact Department at the Victoria Park Centre use electronic equipment to retrieve information without delay, in order to answer customer inquiries related to service and billing.



Consumers' is testing a solar-assisted Munters Environmental Control (MEC) unit to provide data on heating and cooling in a real life environment. Gyan Kohli, Manager, Research and Development, Consumers' Gas, and Dr. Robert Rosenberg, Vice-President, Engineering Research, Institute of Gas Technology, Chicago, check the installation at Consumers' Kelfield Station.

THE

Consumers' Gas

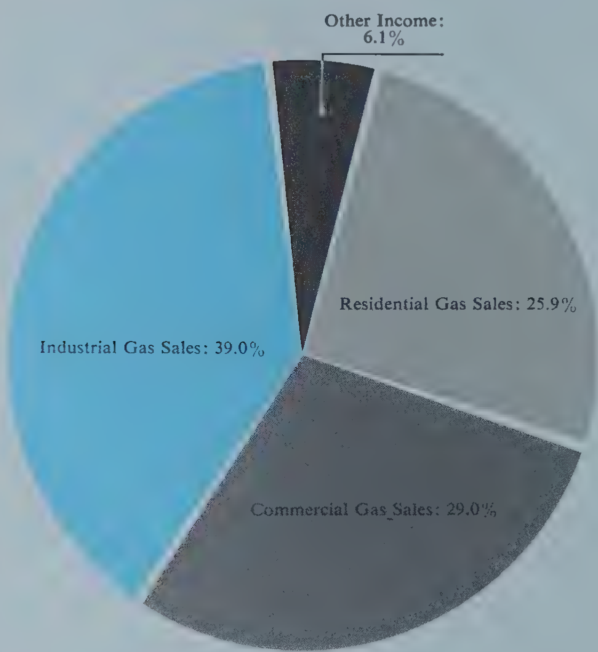
COMPANY

September 30, 1976

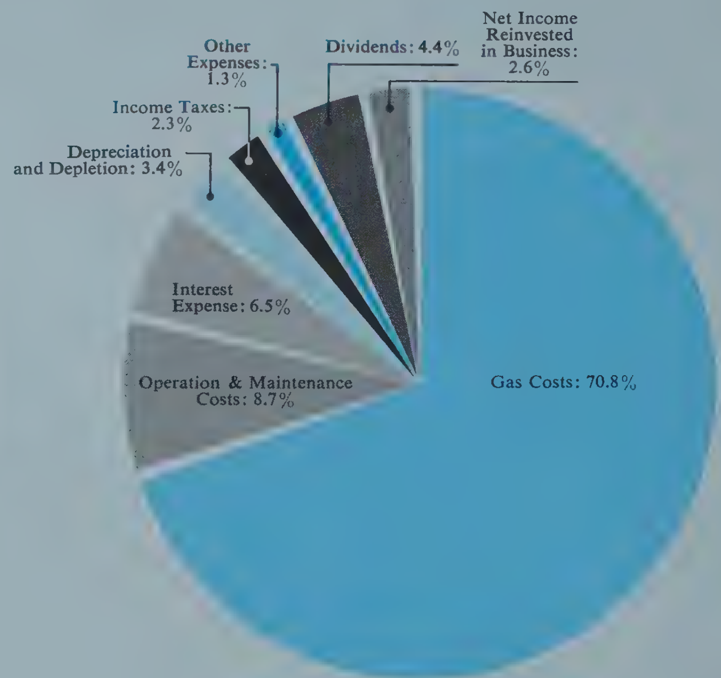
FINANCIAL STATEMENTS

The 1976 Revenue Dollar

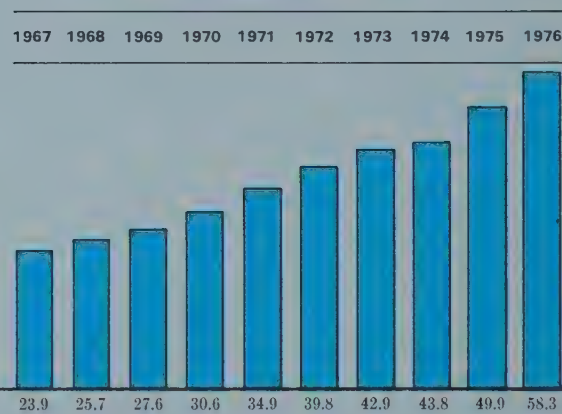
Where it came from



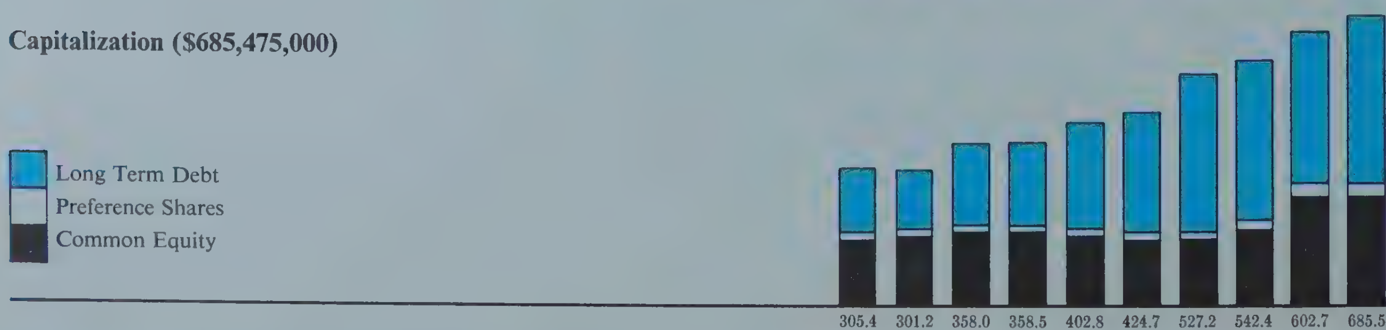
Where it went



Cash Flow From Operations ($58,288,000)



Capitalization ($685,475,000)



Consolidated Statement of Income

The Consumers' Gas Company and subsidiary companies
(Expressed in Thousands)

Years ended September 30	1976	1975
REVENUE		
Gas sales	**$498,041**	$356,684
Other	**24,725**	23,393
	522,766	380,077
COST AND EXPENSES		
Gas costs	**375,242**	244,605
Operation and maintenance	**45,904**	44,063
Depreciation and depletion	**18,191**	17,440
Municipal and other taxes	**6,605**	5,761
Interest and amortization—long term debt	**31,109**	27,585
Other interest	**3,217**	3,524
	480,268	342,978
	42,498	37,099
Equity in earnings before extraordinary item		
Home Oil Company Limited	**5,614**	4,580
Tecumseh Gas Storage Limited and other companies	**1,286**	1,623
Income before income taxes and extraordinary item	**49,398**	43,302
Income taxes		
Current	**4,840**	7,785
Deferred	**7,469**	2,883
	12,309	10,668
Income before extraordinary item	**37,089**	32,634
Share of extraordinary gains (losses) of Home Oil Company Limited and Cygnus Corporation Limited	**147**	(529)
Net income for the year available for dividends and reinvestment in the business	**37,236**	32,105
Dividends		
Preference shares	**2,626**	2,496
Common shares	**20,643**	18,293
	23,269	20,789
Net income reinvested in the business	**$ 13,967**	$ 11,316
Basic earnings per common share (note 9)		
Income before extraordinary item	**$ 1.67**	$ 1.65
Net income	**$ 1.68**	$ 1.63
Fully diluted earnings per common share (note 9)		
Income before extraordinary item	***$ 1.63***	*$ 1.45*
Net income	***$ 1.64***	*$ 1.42*

Consolidated Balance Sheet

The Consumers' Gas Company and subsidiary companies
(Expressed in Thousands)

ASSETS	September 30 1976	1975
CURRENT ASSETS		
Cash and deposits	**$ 2,334**	$ 1,986
Accounts receivable	**36,636**	34,745
Material and supplies at the lower of cost and replacement cost	**6,694**	7,768
Gas stored underground at cost	**76,185**	50,476
Prepaid expenses	**2,284**	1,597
	124,133	96,572
INVESTMENTS		
Home Oil Company Limited at equity in underlying net assets (note 2)	**52,813**	43,863
Home Oil Company Limited Class A share purchase warrants at cost (note 2)	**3,600**	3,600
Tecumseh Gas Storage Limited and other companies at equity in underlying net assets	**9,617**	9,620
Other investments at cost (note 2)	**13,365**	15,058
	79,395	72,141
PROPERTY, PLANT AND EQUIPMENT at cost or redetermined value (note 3)	**694,950**	647,442
Accumulated depreciation and depletion	**113,125**	101,312
	581,825	546,130
OTHER ASSETS AND DEFERRED CHARGES		
Mortgages and non-current receivables	**30,573**	9,422
Property held for resale and other assets at cost	**2,390**	2,301
Investment in Gas Arctic—Northwest Project Study Group (note 4)	**5,677**	3,688
Deferred gas costs (note 5)	**6,264**	6,785
Unamortized debt discount and expense	**3,379**	2,924
Other deferred charges	**2,057**	716
	50,340	25,836
	$835,693	$740,679

Approved by the Board:

J. K. Macdonald, Director

A. R. Poyntz, Director

LIABILITIES	September 30 1976	1975
CURRENT LIABILITIES		
Bank borrowings	**$ 7,693**	$ 5,551
Notes payable	**40,000**	46,350
Accounts payable and accrued	**53,811**	39,696
Accrued interest on long term debt	**7,237**	6,643
Taxes payable	**1,531**	5,125
Dividends payable October 1	**5,816**	5,819
Funded debt payable within one year	**3,874**	6,094
	119,962	115,278
LONG TERM DEBT (note 6)		
Funded debt	**373,578**	334,144
Other	**36,727**	7,197
	410,305	341,341
DEFERRED INCOME TAXES	**28,961**	21,492
MINORITY INTEREST IN SUBSIDIARY COMPANY	**1,295**	1,221
SHAREHOLDERS' EQUITY		
Capital stock		
Preference shares (note 7)	**35,119**	35,376
Common shares (note 8)		
Authorized – 75,000,000 shares without par value		
Issued – 20,643,544 shares (1975 – 20,643,344 shares)	**125,164**	125,161
Contributed surplus	**3,633**	3,523
Excess of net redetermined value of property, plant and equipment over depreciated book cost	**14,179**	14,494
Reinvested earnings	**97,075**	82,793
	275,170	261,347
	$835,693	$740,679

AUDITORS' REPORT

To the Shareholders of The Consumers' Gas Company

We have examined the consolidated balance sheet of The Consumers' Gas Company and subsidiary companies as at September 30, 1976 and the consolidated statements of income, reinvested earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
November 8, 1976

Thorne Riddell & Co.
Chartered Accountants

Consolidated Statement of Reinvested Earnings

The Consumers' Gas Company and subsidiary companies
(Expressed in Thousands)

	Years ended September 30	
	1976	1975
Balance at beginning of year	**$ 82,793**	$ 73,132
Net income reinvested in the business	**13,967**	11,316
Amounts realized through depreciation provisions, transferred from excess of net redetermined value of property, plant and equipment over depreciated book cost	**315**	316
	97,075	84,764
Deduct		
Costs of issuing common and preference shares less income taxes relating thereto	**–**	1,971
Balance at end of year	**$ 97,075**	$ 82,793

Consolidated Statement of Changes in Financial Position

The Consumers' Gas Company and subsidiary companies
(Expressed in Thousands)

	Years ended September 30	
	1976	1975
SOURCE OF WORKING CAPITAL		
Cash flow from operations	**$ 58,288**	$ 49,939
Issue of long term debt	**80,000**	41,900
Issue of preference shares	**–**	20,000
Sale of investment in shares of other companies	**1,563**	–
ISSUE OF COMMON SHARES FOR CONVERTIBLE DEBENTURES	**–**	52,221
	139,851	164,060
USE OF WORKING CAPITAL		
Net additions to property, plant and equipment	**53,886**	52,817
Investment in shares of Home Oil Company Limited	**3,441**	–
Investment (reduction) in mortgages receivable and other assets, net	**21,240**	(2,697)
Investment in Gas Arctic—Northwest Project Study Group	**1,989**	1,288
Other reductions in non-current portion of long term debt	**11,036**	10,232
Dividends on preference and common shares	**23,269**	20,789
Other items	**2,113**	2,446
EXCHANGE OF CONVERTIBLE DEBENTURES FOR COMMON SHARES	**–**	52,221
	116,974	137,096
INCREASE (DECREASE) IN WORKING CAPITAL POSITION	**$ 22,877**	$ 26,964

Notes to Consolidated Financial Statements

The Consumers' Gas Company and subsidiary companies

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

The accounting methods and practices used by the company and its subsidiaries in their utility operations are subject to the jurisdiction of various regulatory bodies.

Principles of Consolidation

(i) The consolidated financial statements include the accounts of all subsidiary companies since dates of acquisition. The excess of investment in shares of such subsidiaries over equity in underlying net assets at dates of acquisition was charged to reinvested earnings in 1973 and prior years. The major operating subsidiary companies are: Consumers' Realty Limited, Cygnus Corporation Limited, Niagara Gas Transmission Limited, St. Lawrence Gas Company Inc., Shorgas Limited, Société Gazifère de Hull, Inc., and Underwater Gas Developers Limited.

(ii) The company and its consolidated subsidiaries follow the equity method of accounting for their investment in the following companies:

(a) Home Oil Company Limited (see note 2).

(b) Community Antenna Television Ltd. in which Cygnus has an interest of 37%, and

(c) Tecumseh Gas Storage Limited and other companies 50% owned.

This method of accounting reflects the company's interest in the earnings of such companies in the consolidated statement of income and the investments in such companies are carried on the consolidated balance sheet at equity in underlying net assets. The excess of investment in shares of such companies over equity in underlying net assets at dates of acquisition was charged to reinvested earnings in 1973 and prior years. Dividends received on investments for which the company follows the equity method of accounting amounted to $1,415,000 in 1976 and $1,508,000 in 1975.

Property, Plant and Equipment

All land, plant and equipment is stated at cost, with the exception of the remaining portion of gas utility plant and equipment acquired by the company prior to September 30, 1955 which is stated at a redetermined value of $44,323,000 at September 30, 1976, based on reproduction cost according to an appraisal made by Stone & Webster Canada Limited as at September 30, 1955.

Accumulated depreciation at the date of the appraisal was based on estimated service life.

The increase in the depreciated value of property, plant and equipment resulting from the 1955 redetermination (less portions of such increase realized through disposals and depreciation provisions and adjustments for the years 1956 to 1976) has been included in shareholders' equity as excess of net redetermined value of property, plant and equipment over depreciated book cost.

In accordance with the recommendations contained in studies by Stone & Webster Canada Limited, depreciation is calculated on the straight line service life basis using the recorded values of depreciable properties. The major component of utility plant, distribution pipelines, is depreciated at the rate of 1.6% and appropriate rates are used for other items of plant. These rates, when applied to the related plant accounts, are equivalent to a composite rate of approximately 2.9% (2.7% for 1975).

The company follows the full cost method of accounting for gas and oil operations whereby all costs of exploring for and developing gas and oil and related reserves are capitalized and form part of property, plant and equipment. Such costs include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities. These costs are depleted using the unit of production method based upon estimated recoverable reserves.

The companies include in plant the cost to the companies of funds used for the purpose of construction and the applicable overhead costs attributed to construction. The total amounts included in plant for interest and overhead costs capitalized were $3,892,000 in 1976 and $3,883,000 in 1975.

Unamortized Debt Discount and Expense

The company defers the costs incurred on debt issues to be charged to income over the life of each issue. Discounts realized on bonds purchased for sinking fund purposes are applied against the unamortized debt discount and expense related to each issue. When the deferred costs related to each issue are eliminated the discount on purchase is included in income. Amounts so included were $988,000 in 1976 and $1,183,000 in 1975.

Income Taxes

The companies follow the tax allocation basis of recording income taxes except in gas utility and like operations. In gas utility and like operations where rate and revenue structures are designed not to recover deferred taxes in current revenues, such deferred taxes are not recorded in the companies accounts. These deferred taxes not recovered in revenues and not recorded amounted to $7,000,000 in 1976, $7,500,000 in 1975, and to an accumulated amount of $93,000,000 at September 30, 1976.

NOTE 2 INVESTMENTS

The company holds directly 389,084 Class A shares (7.0%) and 276,788 Class B voting shares (10.8%) of Home Oil Company Limited. Cygnus Corporation Limited, which is 96% owned by the company, holds a further 125,000 Class A shares (2.2%) and 1,000,000 Class B voting shares (38.9%) of Home. Through these holdings the company controls 49.7% of Home's voting shares and has an equity participation of approximately 22% in Home's earnings (8% directly and 14% indirectly through Cygnus). In addition Cygnus holds warrants to purchase Class A shares of Home as follows: 76,975 shares at $14.55 U.S. per share and 32,990 shares at $17.66 U.S. per share, exercisable on or before April 30, 1980.

Details of other investments are as follows:

	1976			1975		
	Number of Shares	Cost	Quoted Market Value	Number of Shares	Cost	Quoted Market Value
		(Expressed in Thousands)			(Expressed in Thousands)	
Union Gas Limited - common shares	700,000	$12,846	$ 6,037	700,000	$12,846	$ 4,988
Atlantic Richfield Company - common shares	—	—	—	16,000	1,693	1,588
Sogepet Limited - common shares	768,000	519	653	768,000	519	737
		$13,365	$ 6,690		$15,058	$ 7,313

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the property, plant and equipment and related accumulated depreciation and depletion:

	1976		1975	
	Asset	Accumulated Depreciation and Depletion	Asset	Accumulated Depreciation and Depletion
		(Expressed in Thousands)		
Gas utility plant including distribution, transmission and underground storage facilities, land, structures, pipelines, permissions, equipment, etc.	$638,226	$105,461	$603,738	$ 93,292
Natural resource properties including wells, gathering lines and exploration and development costs	48,023	3,517	33,484	3,191
Drilling and related equipment	8,243	4,095	7,279	3,211
Other	458	52	2,941	1,618
	$694,950	$113,125	$647,442	$101,312

NOTE 4 INVESTMENT IN GAS ARCTIC—NORTHWEST PROJECT STUDY GROUP

The company is participating along with other major gas and oil companies in a study to determine the feasibility of constructing a gas transmission pipeline from Northwest Canada and Alaska to markets in Canada and the United States.

If the project is determined to be feasible and the necessary regulatory approvals are received, the company's contribution might be converted to a share or other security interest in the permanent financing of the pipeline (pro-rata with other members of the study group); otherwise the investment will be written off to the extent that it is not recovered. The company has conditionally agreed to invest up to $68 million in the equity financing of Canadian Arctic Gas Pipeline Limited over the five years following approval of the project. The conditions include appropriate regulatory treatment of the amounts expended and the receipt of a commitment satisfactory to the company for a supply of gas from the Mackenzie Delta.

NOTE 5 DEFERRED GAS COSTS

During 1972 and 1973, the company paid TransCanada PipeLines Limited $7,263,000 to enable it to finance the construction of additional pipeline facilities necessary to deliver the gas volumes required by the company. In accordance with Accounting Order U.A. 11 made by the Ontario Energy Board, this amount was deferred in the company's accounts. This amount is being amortized over a period of ten years commencing October 1, 1974, in accordance with Accounting Order U.A. 19 made by the Ontario Energy Board.

NOTE 6 LONG TERM DEBT

	Maturity	Amount Outstanding (Expressed in Thousands) 1976	1975
Funded debt			
The Consumers' Gas Company			
First Mortgage Sinking Fund Bonds			
5% Series B	1978	$ 10,000	$ 11,091
5½% Series C	1983	14,086	15,173
4.85% Series D (U.S. $11,550,000, $12,050,000 in 1975)	1985	12,399	12,935
8⅝% Series E	1993	59,160	60,000
8% Series F (U.S. $15,000,000)	1993	14,728	14,728
8¾% Series G	1994	20,000	20,000
9⅛% Series H	1995	30,000	30,000
11⅜% Series I	1994	15,000	15,000
11½% Series J	1996	20,250	20,250
10⅞% Series K	1996	50,000	—
Sinking Fund Debentures			
4¾%	1976	—	4,000
5¾%	1977	2,400	2,400
6½%	1979	5,073	5,698
6%	1981	7,818	8,632
5½%	1982	6,396	6,808
5¾%	1984	7,534	8,161
5⅝%	1985	15,079	15,725
8⅛%	1991	46,600	47,891
8%	1992	30,683	31,422
Convertible Sinking Fund Debentures			
5½% (convertible into common shares at a conversion price of $21.922 per share)	1989	7,777	7,777
St. Lawrence Gas Company, Inc.			
First Mortgage Sinking Fund Bonds			
5¼% (U.S. $2,280,000, $2,352,000 in 1975)	1988	2,469	2,547
		377,452	340,238
Less payable within one year included in current liabilities		3,874	6,094
		$373,578	$334,144

The aggregate principal of funded debt maturities and sinking fund requirements amount to approximately $18,356,000 in 1978 and $8,955,000 in 1979.

Other

Details of other long term debt are as follows:	1976	1975
Promissory notes maturing in 1977 and 1978	$ 30,000	—
Promissory note of subsidiary company maturing in 1979	2,500	$ 2,500
Term bank loans of subsidiary company maturing at various dates up to 1979	3,700	4,150
Mortgages payable maturing at various dates up to 1995	527	547
	$ 36,727	$ 7,197

NOTE 7 PREFERENCE SHARES

Authorized
Group 1—151,223 shares of $100 each, issuable in series
Group 2—6,000,000 shares of $25 each, issuable in series
Group 3—7,999,850 shares of $20 each, issuable in series

Outstanding (see note 13)	1976 Shares	1976 Amount	1975 Shares	1975 Amount
Group 1				
5½% cumulative Series A, redeemable at a premium reducing from 2% to 1%	42,362	$ 4,236,200	43,075	$ 4,307,500
5½% cumulative Series B, redeemable at a premium reducing from 2% to 1%	84,886	8,488,600	86,113	8,611,300
5% cumulative Series C, redeemable at a premium reducing from 3% to 1%	23,975	2,397,500	24,575	2,457,500
Group 3				
9% cumulative, convertible first series redeemable at varying premiums reducing from $1.40	999,850	19,997,000	1,000,000	20,000,000
		$35,119,300		$35,376,300

A retirement fund for the purchase of each series of preference shares is required to be maintained in the amounts of $100,000 for the Series A shares, $200,000 for the Series B shares, and $60,000 for the Series C shares. These funds are required to be augmented on January 2 of each year by the amounts necessary to re-establish them at the original amounts to the extent that this obligation has not been satisfied by purchase of preference shares for cancellation in prior years. At September 30, 1976 no balance remained in the retirement funds as they had been fully used to purchase preference shares for cancellation.

During the year 713 Series A, 1,227 Series B and 600 Series C preference shares having an aggregate par value of $254,000 were purchased for cancellation. The amount of $110,000 by which the par value exceeded the purchase price is included in contributed surplus.

NOTE 8 COMMON SHARES (see note 13)

During the year 200 shares were issued on conversion of $3,000 of convertible preference shares.

354,787 common shares are reserved for issue on conversion of the outstanding 5½% convertible sinking fund debentures.

Under the terms of the Restricted Stock Option Plan approved by the common shareholders on November 19, 1956, 890,874 common shares have been set aside for purchase by key employees. At September 30, 1976, 801,117 shares had been issued under this plan and options are outstanding on 18,357 shares at $14.07 per share and 58,100 shares at $12.00 per share. The last of these options expires on July 5, 1982. A total of 103 employees hold options under the Restricted Stock Option Plan.

NOTE 9 EARNINGS PER SHARE

Earnings per share have been calculated on the weighted average number of shares outstanding during the year. Due to the issue of 3,132,900 shares in June and July 1975 in exchange for convertible debentures, the weighted average number of shares outstanding was 20,643,424 for 1976 and 18,219,408 for 1975. Fully diluted earnings per share assumes the conversion of the convertible debentures and the convertible preference shares and the exercise of the stock options from dates of issue.

NOTE 10 REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

In 1976 the company paid $910,000 to 18 directors and 16 senior officers and in 1975 $719,000 to 18 directors and 13 senior officers.

NOTE 11 RETIREMENT PLANS

The companies have contributory retirement plans to cover substantially all employees. The normal retirement benefits under these plans commence at age 65. The estimated unfunded past service liability of the companies at January 1, 1975, according to an independent actuarial calculation amounted to $10,200,000. In the opinion of the actuary this obligation would be liquidated by equal annual instalments of $1,016,000 over 15 years from January 1, 1975. The instalments for past service are paid annually and charged to operations and the amounts estimated in the actuarial calculations to be sufficient to fund all current costs of the plans are charged to operations in the year incurred.

NOTE 12 ANTI-INFLATION PROGRAM

The company is subject to the federal Anti-Inflation Act under which guidelines for the restraint of profit margins, prices, dividends and employee compensation were established effective October 14, 1975.

The Anti-Inflation Act provides that if prices and profit margins are established or approved by another regulatory authority the Anti-Inflation Board shall not monitor and control those prices and profit margins, but that such regulatory authority in performing its function shall apply such of the guidelines as are applicable. Accordingly, the company filed with the Ontario Energy Board evidence of compliance with the guidelines and the Board has concluded that the company's prices and profit margins comply with the guidelines.

The company is also complying with the Anti-Inflation Act and guidelines with respect to employee compensation and dividends.

NOTE 13 CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

The company has undertaken to make sufficient use of the facilities of Tecumseh Gas Storage Limited to generate the revenue required by Tecumseh to meet its obligations under Trust Indentures relating to its Series A and Series B debentures. In the event that there is any deficiency, the company will be required to purchase subordinated securities in an amount to make up the deficiency. The management of the company is of the opinion that Tecumseh will generate sufficient revenue to meet its obligations.

The company has received approval from the Ontario Energy Board to increase its rates on an interim basis effective October 1, 1976 to recover the deficiency in its allowable rate of return, as determined by the Board in a Decision dated June 30, 1976 on Phase 1 of the company's current rate application. This increase is subject to refund or other adjustment at the conclusion of the second phase of these proceedings.

The federal government has announced an increase in the price of natural gas effective January 1, 1977 which would increase the company's cost of gas by approximately $30 million annually. The company will make application to the Ontario Energy Board for approval of an increase in rates to its customers to offset this additional cost of purchased gas.

Subsequent to September 30, 1976, the company established an Executive Stock Purchase Plan under which it presently proposes to lend funds for the purchase by a trustee of up to 110,400 9¼% cumulative redeemable convertible preference shares, Group 2 with a par value of $25 each to be held by or for the benefit of certain executives. The shares are convertible until November 10, 1986 into 220,800 common shares of the company on the basis of $12.50 per common share but may not be converted until after November 10, 1978 except in certain limited circumstances. The shares are to be held by the trustee as collateral security for repayment of the loans, which loans it is presently proposed will bear interest at the rate of 10¼% per annum and will be repayable in full on the earlier of November 10, 1986 and termination of employment.

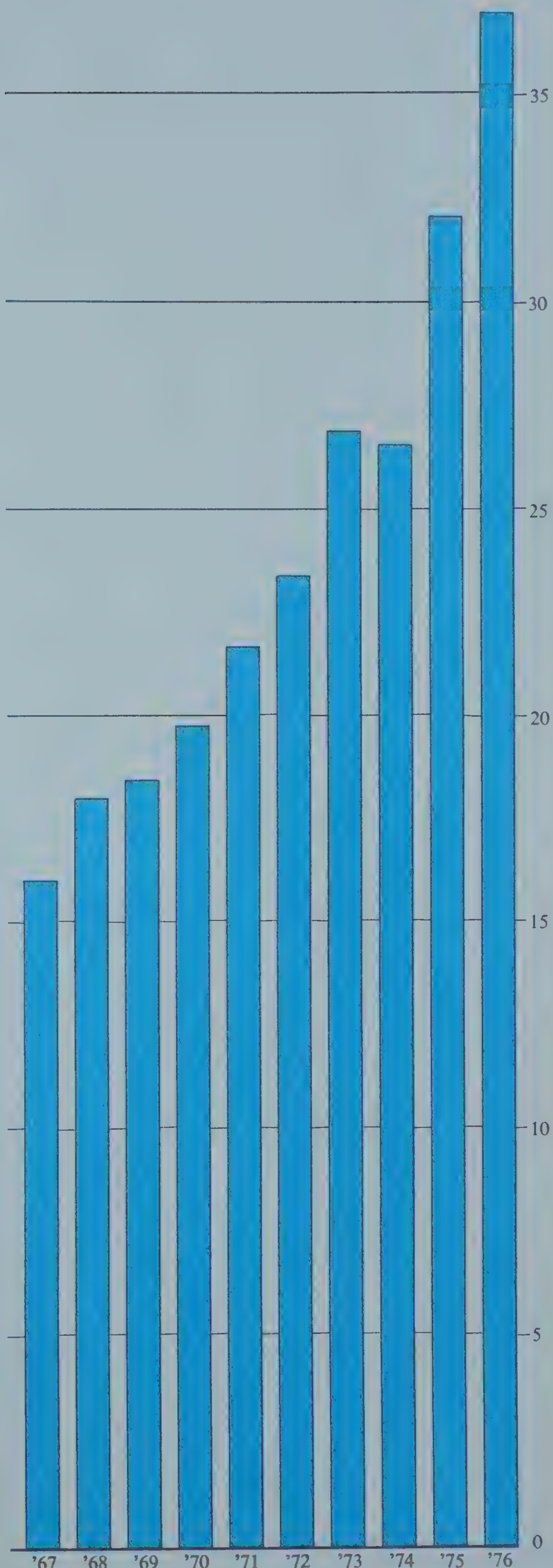
Financial and Operating Statistics—1967-1976

Years ended September 30

Consolidated Statement of Income ($000's)	1976	1975	1974	1973	1972
Gas sales					
Residential	$137,549	$102,859	$ 84,061	$ 75,271	$ 70,122
Commercial	153,935	107,191	77,333	62,603	55,178
Industrial and other	206,557	146,634	101,004	79,766	72,113
Total gas sales	498,041	356,684	262,398	217,640	197,413
Other revenue	24,725	23,393	20,358	17,330	15,036
	522,766	380,077	282,756	234,970	212,449
Gas costs	375,242	244,605	163,565	127,425	115,596
Operation and maintenance	45,904	44,063	39,385	34,553	31,513
Depreciation and depletion	18,191	17,440	15,954	14,745	13,049
Municipal and other taxes	6,605	5,761	4,789	4,281	4,266
Interest and amortization—long term debt	31,109	27,585	26,608	22,985	15,878
Other interest	3,217	3,524	3,187	1,995	2,865
	480,268	342,978	253,488	205,984	183,167
	42,498	37,099	29,268	28,986	29,282
Equity in earnings before extraordinary items					
Home Oil Company Limited	5,614	4,580	3,335	2,382	915
Tecumseh Gas Storage Limited and other companies	1,286	1,623	1,194	1,051	876
Income before income taxes and extraordinary items	49,398	43,302	33,797	32,419	31,073
Income taxes					
Current	4,840	7,785	3,833	3,316	4,368
Deferred	7,469	2,883	2,822	3,939	3,394
	12,309	10,668	6,655	7,255	7,762
Income before extraordinary items	37,089	32,634	27,142	25,164	23,311
Extraordinary items	147	(529)	(745)	1,621	–
Net income for the year available for dividends and reinvestment in the business	37,236	32,105	26,397	26,785	23,311
Preference share dividends	2,626	2,496	862	875	901
Net income available for common share dividends and reinvestment in the business	$ 34,610	$ 29,609	$ 25,535	$ 25,910	$ 22,410
Basic earnings per common share					
Before extraordinary items	$ 1.67	$1.65	$1.50	$1.39	$1.28
After extraordinary items	$ 1.68	$1.63	$1.46	$1.48	$1.28
Fully diluted earnings per common share					
Before extraordinary items	$ 1.63	$1.45	$1.39	$1.29	$1.20
After extraordinary items	$ 1.64	$1.42	$1.35	$1.37	$1.20

1971	1970	1969	1968	1967
$ 67,325	$ 65,177	$ 59,737	$ 58,860	$ 55,332
46,406	40,041	33,934	27,532	23,694
44,549	39,599	36,086	30,982	28,386
158,280	144,817	129,757	117,374	107,412
13,011	11,573	9,788	8,791	7,366
171,291	156,390	139,545	126,165	114,778
85,413	77,294	68,753	59,605	54,079
27,023	24,107	21,088	20,226	19,076
11,237	10,114	9,259	8,541	7,793
4,180	3,865	3,725	2,958	2,875
12,922	10,389	9,463	7,560	7,774
2,254	2,116	1,683	1,519	1,037
143,029	127,885	113,971	100,409	92,634
28,262	28,505	25,574	25,756	22,144
116	–	–	–	–
832	635	567	586	454
29,210	29,140	26,141	26,342	22,598
5,287	7,841	7,440	8,373	6,507
2,362	1,140	280	54	49
7,649	8,981	7,720	8,427	6,556
21,561	20,159	18,421	17,915	16,042
–	(367)	–	–	–
21,561	19,792	18,421	17,915	16,042
919	940	964	973	975
$ 20,642	$ 18,852	$ 17,457	$ 16,942	$ 15,067
$1.18	$1.10	$1.00	$ .97	$ .91
$1.18	$1.08	$1.00	$ .97	$ .91
$1.11	$1.04	$ .97	$ .97	$ .91
$1.11	$1.02	$ .97	$ .97	$ .91

Net Income Available for Dividends
and Reinvestment in the Business ($37,236,000)



Financial and Operating Statistics – 1967-1976 (cont'd)

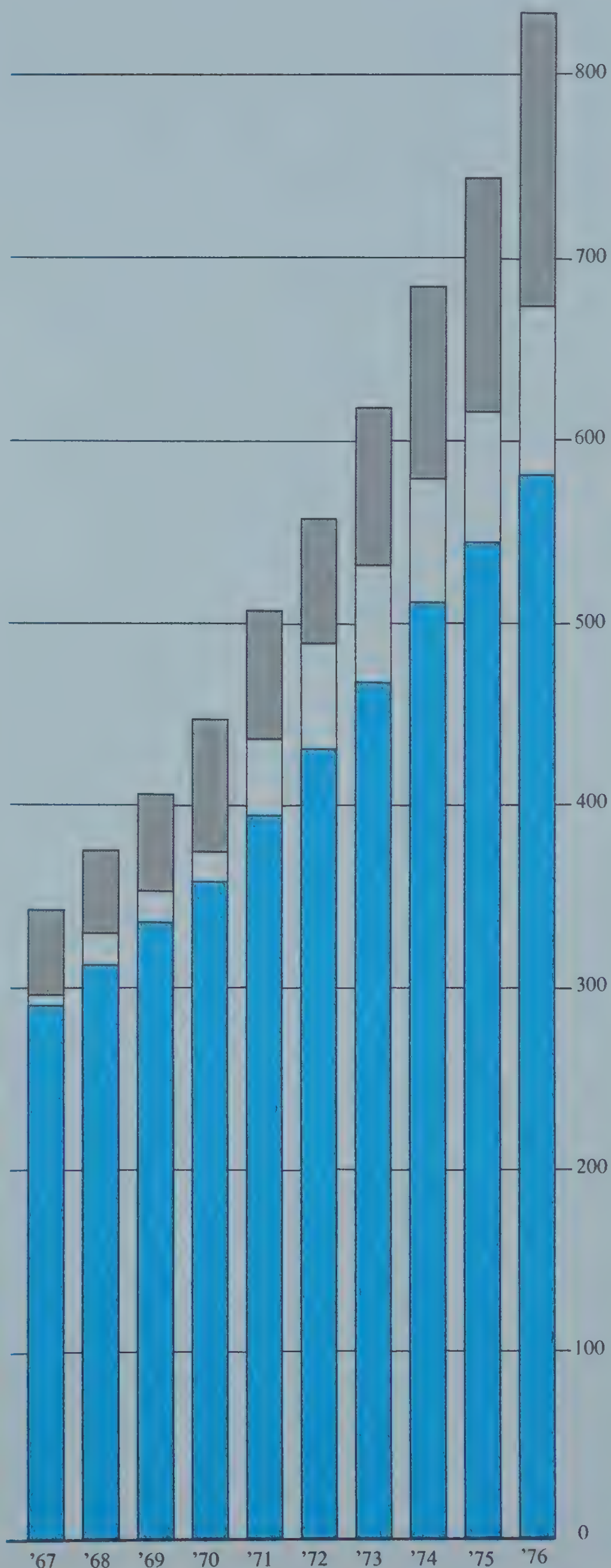
	1976	1975	1974	1973	1972
Condensed Consolidated Balance Sheet ($000's)					
ASSETS:					
Current assets (Note 1)	$124,133	$ 96,572	$ 79,500	$ 60,649	$ 49,836
Investments	79,395	72,141	67,917	64,307	59,051
Property, plant and equipment	694,950	647,442	601,649	549,692	506,172
Accumulated depreciation and depletion	113,125	101,312	90,898	82,639	77,005
	581,825	546,130	510,751	467,053	429,167
Other assets and deferred charges	50,340	25,836	23,504	25,706	17,635
	$835,693	$740,679	$681,672	$617,715	$555,689
LIABILITIES:					
Current liabilities	$119,962	$115,278	$119,493	$ 72,103	$106,216
Long term debt	410,305	341,341	362,339	357,087	261,870
Deferred income taxes	28,961	21,492	18,609	16,224	12,285
Minority interest in subsidiary companies	1,295	1,221	1,197	2,114	12,482
Shareholders' Equity					
Preference shares	35,119	35,376	15,790	16,012	16,320
Common shares	125,164	125,161	72,940	72,940	72,926
Contributed surplus	3,633	3,523	3,364	3,293	3,233
Excess of net redetermined value of property, plant and equipment over depreciated book cost	14,179	14,494	14,808	15,024	15,761
Reinvested earnings	97,075	82,793	73,132	62,918	54,596
	275,170	261,347	180,034	170,187	162,836
	$835,693	$740,679	$681,672	$617,715	$555,689
Consolidated Statement of Changes in Financial Position ($000's)					
SOURCE OF WORKING CAPITAL:					
Cash flow from operations	$ 58,288	$ 49,939	$ 43,828	$ 42,918	$ 39,796
Issue of long term debt	80,000	41,900	30,000	104,728	32,000
Issue of preference and common shares	–	20,000	–	14	212
Sale of investment in shares of other companies	1,563	–	3,552	–	–
ISSUE OF COMMON SHARES FOR CONVERTIBLE DEBENTURES	–	52,221	–	–	–
	139,851	164,060	77,380	147,660	72,008
USE OF WORKING CAPITAL:					
Net additions to property, plant and equipment	53,886	52,817	59,628	53,059	51,176
Investment in shares of subsidiary companies adjusted for working capital position at dates of acquisition	–	43	344	15,405	4,184
Investment in shares and warrants of Home Oil Company Limited	3,441	–	3,600	–	21,070
Investment in shares of other companies	–	5	898	1,128	101
Investment (reduction) in mortgages receivable and other assets, net	21,240	(2,697)	(1,134)	(800)	(206)
Investment in Gas Arctic—Northwest Project Study Group	1,989	1,288	828	1,572	–
Deferral of increased cost of gas	–	–	–	3,703	3,560
Other reductions in non-current portion of long term debt excluding mortgages payable	11,036	10,232	23,610	9,947	6,616
Preference shares purchased for cancellation	144	255	151	248	377
Capital stock and debt issue costs, net	1,139	1,909	338	1,503	600
Dividends on preference and common shares	23,269	20,789	16,796	16,284	16,307
Decrease in mortgages payable, net	20	40	96	(436)	(382)
Miscellaneous items	810	194	764	1,121	(384)
EXCHANGE OF CONVERTIBLE DEBENTURES FOR COMMON SHARES	–	52,221	–	–	–
	116,974	137,096	105,919	102,734	103,019
Increase (decrease) in working capital position	$ 22,877	$ 26,964	$(28,539)	$ 44,926	$(31,011)
Weighted average number of common shares outstanding during the year	20,643,424	18,219,408	17,510,173	17,509,896	17,506,093
Number of shareholders					
Common	29,745	29,517	27,323	28,026	29,895
Preferred	3,327	3,246	1,618	1,702	2,082

Note 1: For years prior to 1975 current assets include the long term portion of accounts receivable on the merchandise finance plan.

1971	1970	1969	1968	1967
$ 51,557	$ 58,734	$ 44,189	$ 32,242	$ 28,310
45,532	17,749	17,058	16,790	3,598
460,944	419,572	394,488	369,410	335,362
68,420	60,966	58,864	56,329	41,300
392,524	358,606	335,624	313,081	294,062
14,588	11,997	11,697	14,058	17,463
$504,201	$447,086	$408,568	$376,171	$343,433
$ 76,926	$ 81,322	$ 45,136	$ 69,867	$ 32,958
236,106	185,580	190,485	136,716	141,835
8,891	6,529	5,389	5,109	5,055
15,549	727	–	–	–
16,753	17,176	17,645	17,925	18,000
72,712	72,578	72,418	72,371	72,257
3,195	3,136	3,025	2,980	2,977
17,576	17,925	18,498	20,606	25,704
56,493	62,113	55,972	50,597	44,647
166,729	172,928	167,558	164,479	163,585
$504,201	$447,086	$408,568	$376,171	$343,433
$ 34,938	$ 30,602	$ 27,572	$ 25,695	$ 23,892
50,000	–	60,000	–	–
134	160	47	114	19,041
–	–	–	–	–
–	–	–	–	–
85,072	30,762	87,619	25,809	42,933
43,569	33,051	33,087	31,476	26,542
20,558	338	–	–	–
–	–	–	–	–
80	–	–	12,846	–
482	370	(2,545)	(2,505)	1,344
–	–	–	–	–
–	–	–	–	–
5,073	4,856	5,068	4,399	3,552
423	469	280	75	–
1,014	127	1,399	–	380
15,263	13,873	13,541	12,497	10,654
(199)	49	1,163	720	(991)
1,590	(730)	(1,052)	(722)	236
–	–	–	–	–
87,853	52,403	50,941	58,786	41,717
$ (2,781)	$ (21,641)	$ 36,678	$ (32,977)	$ 1,216
17,490,886	17,476,077	17,468,215	17,460,727	16,527,768
26,168	27,255	26,526	25,205	25,477
1,920	2,032	2,116	2,218	2,263

Assets ($835,693,000)

Current and Other Assets ($174,473,000)
Investments ($79,395,000)
Property, Plant and Equipment less Accumulated Depreciation and Depletion ($581,825,000)

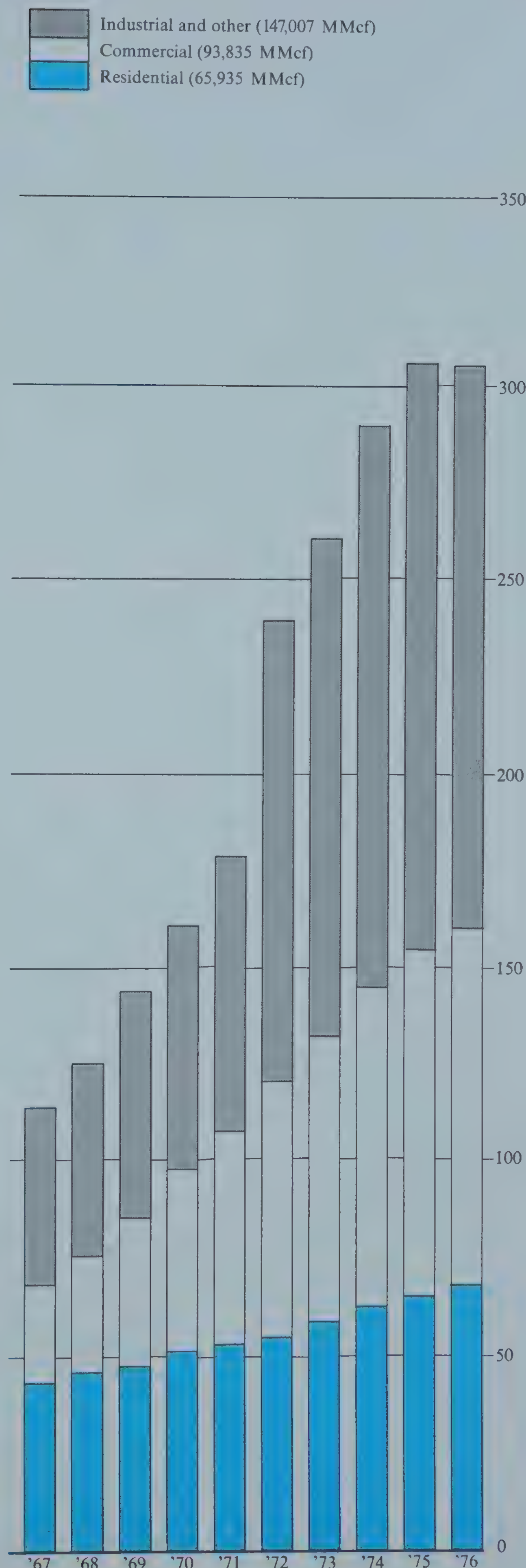


Financial and Operating Statistics – 1967-1976 (cont'd)

	1976	1975	1974	1973	1972
Gas supply and sendout—MMcf					
Natural gas purchased	308,376	310,143	303,571	277,030	229,907
Natural gas produced	1,622	3,332	3,002	3,006	2,651
Total gas supply	309,998	313,475	306,573	280,036	232,558
Gas into storage	(51,456)	(56,439)	(51,289)	(46,612)	(32,399)
Gas out of storage	51,055	56,462	36,984	30,704	42,281
Total gas sendout	309,597	313,498	292,268	264,128	242,440
Gas sales to customers—MMcf					
Residential	65,935	63,932	62,538	59,249	55,320
Commercial	93,835	90,536	82,814	73,794	65,969
Industrial and other	147,007	156,842	144,534	128,188	118,757
Total sales	306,777	311,310	289,886	261,231	240,046
Use by company	424	539	468	507	453
Unbilled and unaccounted for	2,396	1,649	1,914	2,390	1,941
	309,597	313,498	292,268	264,128	242,440
Maximum daily sendout Mcf	1,589,700	1,450,800	1,435,700	1,257,600	1,148,300
Minimum daily sendout Mcf	320,300	306,100	272,600	286,300	236,600
Average daily sendout Mcf	846,000	859,000	801,000	724,000	662,000
Degree day deficiency (Note 1)	4,023	4,025	4,171	4,082	4,237
Number of active customers (year end)					
Residential	462,195	443,247	427,181	406,596	391,270
Commercial	43,214	42,295	39,465	35,384	32,985
Industrial and other	5,768	5,700	5,585	5,415	5,295
Total	511,177	491,242	472,231	447,395	429,550
Cost to customers					
Average revenue per Mcf					
Residential	$2.09	$1.61	$1.34	$1.27	$1.27
Commercial	$1.64	$1.18	$ .93	$ .85	$ .84
Industrial and other	$1.41	$ .93	$ .69	$ .62	$ .61
Average use per residential customer—Mcf	141.4	142.6	145.0	143.2	141.0
Number of employees	2,706	2,711	2,703	2,550	2,379
Miles of mains in use	8,852	8,682	8,487	8,264	7,934
Population of area served	4,378,000	4,305,000	4,238,000	4,180,000	4,085,000

Note 1: Degree Day Deficiency figures given are those for the Toronto area. The deficiency is a measure of coldness during the heating season and is calculated by adding together the total number of degree days below 18° Celsius (°C) on those days when it did so. In previous years Degree Day Deficiency figures were calculated using 65° Fahrenheit (°F), rather than 18°C, as the base. In compliance with the designation of April 1, 1975 by the Metric Commission as the day for Canada to measure its temperature using the Celsius temperature scale, the Company has changed to reporting temperature sensitive statistics in Celsius instead of Fahrenheit.

Gas Sales to Customers (306,777 MMcf)



1971	1970	1969	1968	1967
174,966	177,342	148,742	127,180	111,132
1,676	1,581	764	270	374
176,642	178,923	149,506	127,450	111,506
(26,186)	(40,908)	(24,039)	(22,256)	(16,305)
30,979	25,457	20,344	21,321	20,075
181,435	163,472	145,811	126,515	115,276
53,465	51,568	46,942	46,326	43,270
54,651	46,782	38,971	30,114	25,541
70,548	63,110	57,939	49,124	45,323
178,664	161,460	143,852	125,564	114,134
385	374	386	231	197
2,386	1,638	1,573	720	945
181,435	163,472	145,811	126,515	115,276
977,900	855,300	739,800	719,800	616,500
158,000	134,400	135,100	126,700	106,000
497,100	447,900	399,500	346,600	315,800
4,277	4,384	4,179	4,255	4,246
375,275	363,365	352,597	339,145	328,793
30,755	28,428	26,342	24,503	22,569
5,176	4,876	4,630	4,178	4,149
411,206	396,669	383,569	367,826	355,511
$1.26	$1.26	$1.27	$1.27	$1.28
$ .85	$ .86	$ .87	$ .91	$ .93
$ .63	$ .63	$ .62	$ .63	$ .63
141.7	141.0	132.8	135.8	130.8
2,322	2,377	2,221	2,142	2,166
7,640	7,461	7,321	7,084	6,841
,960,000	3,862,000	3,765,000	3,682,000	3,610,000

Corporate Information

The Consumers' Gas Company

Incorporated under the laws of the Province of Canada March 23, 1848
and continued as if incorporated under the laws of the Province of Ontario

Head Office
19 Toronto Street, Toronto, Ontario M5C 2E8

Registrar and Transfer Agents

Common Shares and Preference Shares, Group 1

Canada Permanent Trust Company
20 Eglinton Ave. West, Toronto and in St. John's, Halifax, Charlottetown, Saint John, Montreal, Winnipeg, Saskatoon, Calgary and Vancouver

Bankers Trust Company
New York

Registrar and Transfer Agent

Convertible Preference Shares

The Canada Trust Company
110 Yonge St., Toronto M5C 1T4 and in Halifax, Montreal, Winnipeg, Regina, Calgary and Vancouver

Trustee and Registrar

Bonds

5%, 5½%, 4.85%, 8⅝%, 8%, 8¾%, 9⅛%, 11⅜%, 11½% and 10⅞%
First Mortgage Sinking Fund Bonds
Canada Permanent Trust Company
20 Eglinton Ave. West, Toronto M4R 2E2

Trustee and Registrar

Debentures

5½%, 5⅝%, 5¾%, 6%, 6½% and 8% Sinking Fund Debentures
Crown Trust Company
302 Bay Street, Toronto M5H 2P4

Trustee and Registrar

Debentures

8⅛% Sinking Fund Debentures
National Trust Company, Limited
21 King Street East, Toronto M5C 1B3

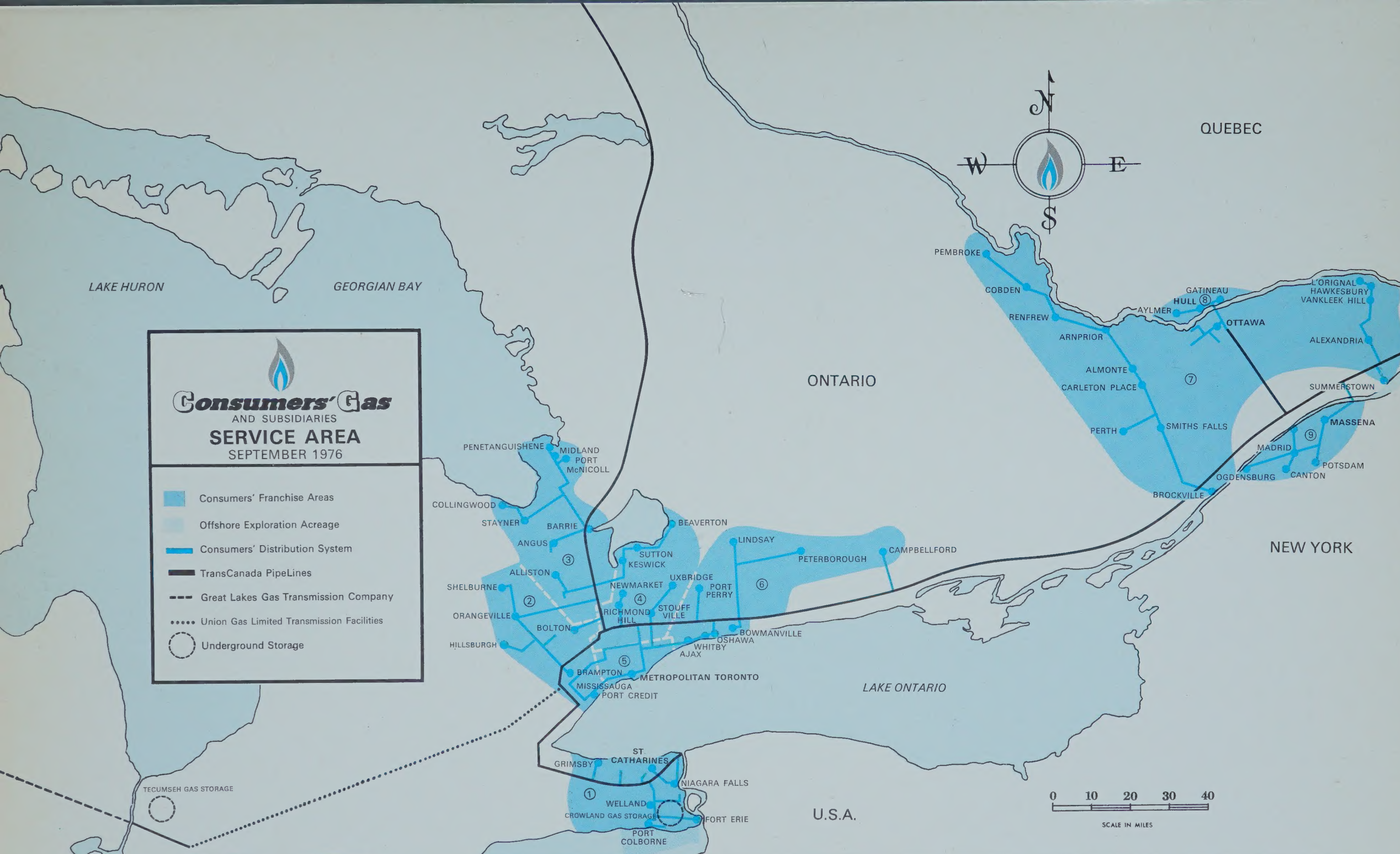
Trustee and Registrar

Convertible Debentures

5½% Convertible Sinking Fund Debentures
The Royal Trust Company
Royal Trust Tower, Toronto-Dominion Centre,
Toronto M5W 1P9

Common Shares

	1976	1975	1974	1973	1972
Shares Authorized	**75,000,000**	75,000,000	75,000,000	75,000,000	75,000,000
Shares issued at September 30	**20,643,544**	20,643,344	17,510,173	17,510,173	17,509,348
Additional shares which may be issued upon:					
Conversion of debentures	**354,787**	354,787	2,549,915	2,549,915	2,549,915
Conversion of preference shares	**1,333,133**	1,333,333	—	—	—
Exercise of Stock Options	**76,457**	37,557	86,957	89,757	53,425
Dividends declared per share	**$1.00**	$1.00	$ .91	$ .88	$ .88
Number of Shareholders at September 30	**29,745**	29,517	27,323	28,026	29,895
Distribution of Shares at September 30					
Canada	**98.0%**	97.9%	97.3%	97.1%	97.1%
Other	**2.0%**	2.1%	2.7%	2.9%	2.9%



		① Provincial Gas	② West Central	③ Georgian Bay	④ North Central	⑤ Metro Toronto	⑥ East Central	⑦ Eastern Ontario	⑧ Gazifère de Hull	⑨ St. Lawrence Gas
Active Customers	1967	66,919	25,366	5,235	8,555	210,726	13,978	13,586	4,302	6,844
	1976	91,571	60,536	13,512	22,184	252,540	28,095	26,716	7,495	8,528
Sales Volumes (MMcf)	1967	24,382	10,700	2,439	2,474	53,965	4,306	9,541	2,590	3,327
	1976	41,280	28,375	6,521	8,397	179,449	11,832	21,844	2,027	5,647

Printed in Canada

anticipated, due to strikes and a general economic downturn in some areas of that market.

A further increase in the field price of natural gas is anticipated during the calendar year and, as in the past, your Company will seek permission from the Ontario Energy Board to recover from its customers any such increase in the cost of gas.

The hearing before the Ontario Energy Board on the Company's application dealing with the redetermination of its rate base and of the allowable rate of return on that rate base has concluded and a decision is anticipated shortly. The Board will, in its decision, also determine the appropriate treatment of deferred income taxes by the Company for regulatory purposes.

With the increase in exploration activity in Western Canada and the anticipated conservation efforts on the part of our customers, the Company continues to be optimistic that an adequate gas supply will be available from TransCanada PipeLines while frontier areas are being developed.

G. E. CREBER,
President and Chief Executive Officer
19 Toronto St., Toronto May 20, 1976

THE Consumers' Gas COMPANY

and subsidiary companies

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN FINANCIAL POSITION

(unaudited)

	6 Months Ended March 31	
	1976	1975
	(Expressed in Thousands)	
SOURCE OF WORKING CAPITAL		
Cash flow from operations	$34,991	$30,500
Issue of long term debt	50,000	15,000
Issue of preference and common shares	—	20,001
Reduction in mortgages receivable and other assets, net	478	281
	85,469	65,782
USE OF WORKING CAPITAL		
Net additions to property, plant and equipment	25,828	25,369
Investment in Gas Arctic-Northwest Project Study Group	1,039	461
Other reductions in non-current portion of long term debt	9,192	5,486
Dividends on preference and common shares	11,637	9,931
Other items	814	957
	48,510	42,204
INCREASE IN WORKING CAPITAL POSITION	$36,959	$23,578

Printed in Canada

AR45

INTERIM REPORT
MARCH 31, 1976

THE Consumers' Gas COMPANY

File

Consumers' Gas COMPANY

and subsidiary companies

492-5000

Consolidated Interim Statement of Income

(Unaudited) (Note 1)

	6 months ended March 31		12 months ended March 31	
	1976	1975	1976	1975
	(Expressed in Thousands)			
REVENUE				
Gas sales (Note 2)	$298,962	$219,344	$436,302	$323,136
Other	11,989	10,802	24,580	21,665
	310,951	230,146	460,882	344,801
COSTS AND EXPENSES				
Gas costs	223,938	148,224	320,319	214,689
Operation and maintenance	22,848	21,451	45,460	42,573
Depreciation and depletion	9,134	8,445	18,129	16,586
Municipal and other taxes	3,371	2,798	6,334	5,257
Interest and amortization – long term debt	14,265	14,150	27,700	27,887
Other interest	2,701	2,101	4,124	3,452
	276,257	197,169	422,066	310,444
	34,694	32,977	38,816	34,357
Equity in earnings before extraordinary item				
Home Oil Company Limited	3,333	2,245	5,668	3,548
Tecumseh Gas Storage Limited and other companies	561	718	1,466	1,410
Income before income taxes and extraordinary item	38,588	35,940	45,950	39,315
Income taxes				
Current	10,271	12,624	5,432	7,847
Deferred	2,965	599	5,249	1,801
	13,236	13,223	10,681	9,648
Income before extraordinary item	25,352	22,717	35,269	29,667
Share of extraordinary profit (loss) of Home Oil Company Limited	322	96	(303)	(268)
Net income available for dividends and reinvestment in the business	$ 25,674	$ 22,813	$ 34,966	$ 29,399
Basic earnings per common share (Note 3) (Note 4)				
Income before extraordinary item	$ 1.16	$ 1.23	$ 1.65	$ 1.60
Net income	$ 1.18	$ 1.24	$ 1.63	$ 1.59

NOTE 1: Due to the weather-sensitive nature of much of the Company's business the information provided above for the six months of each year should not be taken as directly indicative of the results for the full fiscal year.

NOTE 2: Revenue for the six and twelve month periods ended March 31, 1976 includes $2,265,000 which is subject to retroactive adjustment pending final disposition of the Company's present rate application before the Ontario Energy Board.

NOTE 3: Basic earnings per common share are calculated on the weighted average number of common shares outstanding during the periods and therefore reflect for the six and twelve month periods ended March 31, 1976, the addition of 3,132,900 common shares issued in June and July, 1975 in exchange for $52,215,000 convertible debentures. The weighted average numbers of common shares outstanding are:

	1976	1975
Six months ended March 31	20,643,344	17,510,195
Twelve months ended March 31	19,779,549	17,510,184

NOTE 4: Fully diluted earnings per share (assuming conversion of the convertible debentures and convertible preference shares and exercise of stock options) are:

	1976	1975
Six months ended March 31		
Income before extraordinary item	$1.12	$1.09
Net income	$1.13	$1.09
Twelve months ended March 31		
Income before extraordinary item	$1.57	$1.43
Net income	$1.55	$1.42

To our Shareholders:

Income before an extraordinary item for the six months ended March 31, 1976 was $25,352,000 compared with $22,717,000 for the six months ended March 31, 1975. However, basic earnings before an extraordinary item were $1.16 per common share compared with $1.23 for the six months ended March 31, 1975. After taking into account an extraordinary item, basic earnings per common share were $1.18 compared with $1.24 for the six months ended March 31, 1975. The decline in basic earnings per common share reflects the addition of 3,132,900 common shares issued in June and July, 1975.

Lower profit

For the twelve months ended March 31, 1976 income before an extraordinary item was $35,269,000 compared with $29,667,000 for the twelve month period ended March 31, 1975. Basic earnings before an extraordinary item were $1.65 per common share compared with $1.60 a year ago. Basic earnings after an extraordinary item were $1.63 per common share compared with $1.59 in the previous year.

Revenue from gas sales increased over comparable periods a year earlier from $219,344,000 to $298,962,000 for the six months and from $323,136,000 to $436,302,000 for the twelve months ended March 31, 1976.

The increases in gas sales revenue of $79,618,000 in the six months and $113,166,000 in the twelve months ended March 31, 1976 were largely offset by increases in our gas purchase costs of $75,714,000 and $108,447,000 in the periods respectively. The increases in costs were due mainly to increases in the field price of gas purchased by our supplier, TransCanada PipeLines Limited.

The weather for the six and twelve month periods ended March 31, 1976 was 2.4% and 1.3% colder than the comparable periods in the preceding year. Sales in the industrial category were less than